Part I. History, Diplomacy, Democracy and Development

Chapter 1. The Marshall Plan: History and Legacy

by Gerard Bossuat

The Marshall Plan, officially called European Recovery Program (ERP), was in place from April 1948 to September 1951. Most contemporary actors considered that it played an essential role in the economic successes of postwar Western Europe. The various European programs of modernization greatly benefited from the ERP, since it financed imports essential to reconstruction and modernization. It produced counterparts in European currencies, the allocation of which needs to be clarified, and generated a debate on their use. Moreover, the Marshall Plan was at the origin of the Organisation for European Economic Co-operation (OEEC), created to encourage European unity. The Marshall Plan was a political tool in the hands of the American administration in the context of the Cold War and the defense of the West.

What was the role of the Marshall Plan in the development of a consumer society? Was the Marshall Plan Americanizing European societies? The ERP thus also held a socio-cultural dimension. Finally, over the last 60 years the Marshall Plan has become a myth. Whenever our countries are hit by a crisis, the media or politicians ask for a “new Marshall Plan”. The Marshall Plan was, and remains, appreciated, but it also raised criticisms in Europe. So we have to separate what belongs to history and what belongs to the collective memory or to the myth.

The Marshall Plan figures

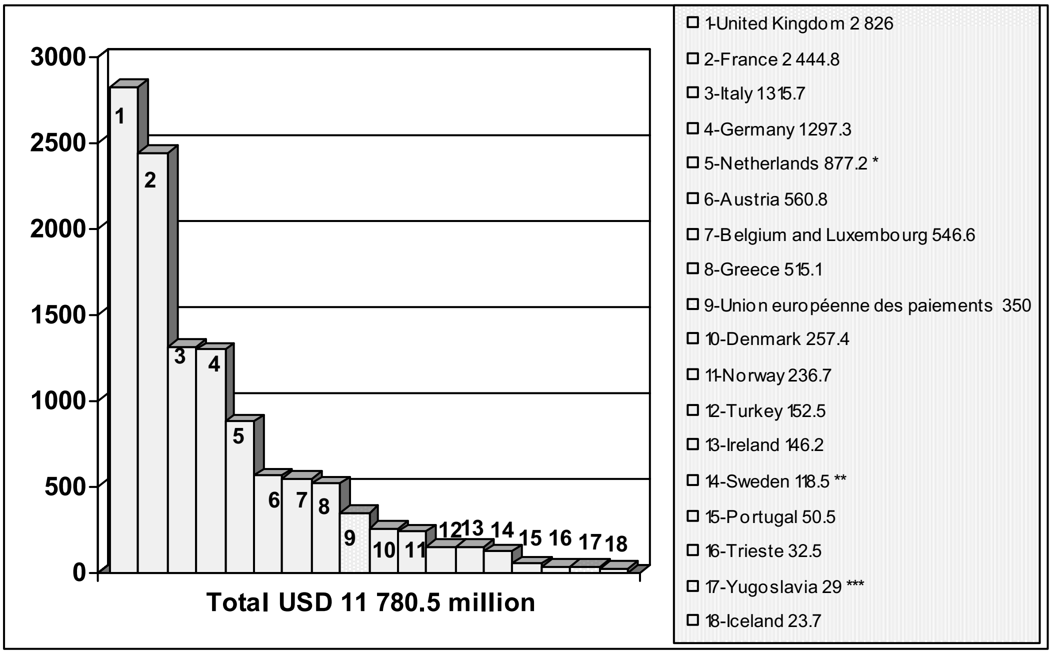
The Europeans asked for USD 22 billion over four years. The US Congress accepted to take into account a basis of USD 17 billion over four years. In fact, the participant countries received USD 11.8 billion as grants between 3 April 1948 and 31 June 1951. See Figure 1.1.

To these grants, loans added up to USD 1.139 billion. Globally, the ERP aid amounted to USD 13 billion, decreasing each year. This corresponds to about USD 108.3 billion in 2006 dollars.[1]

Figure 1.2 helps appreciate the role and the place of the Marshall aid compared to all American aid programs to Europe.

Figure 1.1. Distribution of American aid in gifts (direct and conditional grants) among European countries

April 1948-June 1951



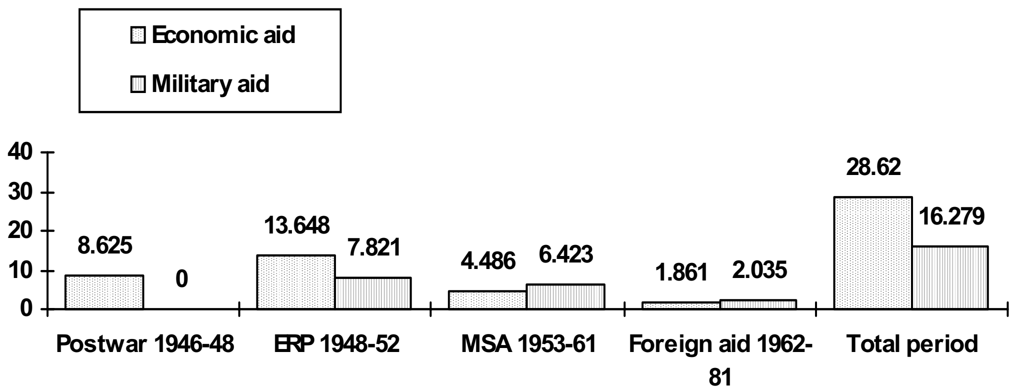
Notes: Many thanks to Valérie Aubourg, historian, UE Marie Curie scholarship, for help with the translation.

*Not counting Indonesia, which received USD 101.4 million; **Conditional aid only; ***Yugoslavia was not included in the Marshall Plan, but in 1950 American economic aid was transmitted via ECA.

Source: *Problèmes économiques*, No. 306, 10 November 1953, Documentation française; Office of Research (1953), Statistics and Reports, 30 October, FOA, European program.

Figure 1.2. American aid to Europe

In USD billions



Source: Bossuat, Gérard (1992a), *L'Europe occidentale à l'heure américaine, 1945-1952, le plan Marshall et l'unité européenne*, Brussels, Complexe.

History of the Marshall Plan

Origins

In the beginning of 1947, American funds for foreign aid amounted to USD 350 million and were aimed at stopping the actual or alleged Soviet expansion.

The 5 June speech of Secretary of State George C. Marshall, given to a crowd of students and VIPs of Harvard University and outside, came as a surprise. But the speech was not a plan yet. It developed nonetheless two understandable ideas: the American aid has to support a united Europe and to fight misery in Europe.

The draft of Marshall's speech, founded on ideas of J.M. Keynes, was born in the Policy Planning Staff headed by G. Kennan.[2] On 8 May 1947, the Under-Secretary of State, Dean Acheson, tested the idea of a "world economic assistance plan to democracy" in front of the Delta Council at Cleveland (Mississippi). Kennan thought that the difficulties of Europe were not linked to communism but to "hunger, poverty, desperation, and chaos." Nonetheless, the fight against communism was a strong reason for the American aid to Europe.

A payment crisis was developing in Europe, preventing the delivery of supplies to European populations and economies. How did the Congress, mainly interested in German recovery, react?

The Paris conferences in summer 1947

The French and British invited the Soviet Union to debate the Marshall offer in Paris. Viatcheslav Molotov, the USSR Foreign Affairs Minister, attended the conference. He knew that Czechoslovakia, Poland, Yugoslavia and the French communists were ready to be helped. But he declined it, accusing France and United Kingdom to try to control the small European countries. The USSR satellite countries had to decline the Marshall offer.

A new 16-participant conference was convened to elaborate a concrete program of European rehabilitation and unification during the summer.[3] It produced a report for the American administration which was rejected for lack of serious unification plans. Moreover, according to the administration, the USD 29.2 billion aid plan requested by the 16 countries over four years was unacceptable. A new European report (22 September) reduced the amount to USD 22.44 billion over four years (minus USD 3.11 billion from World Bank loans). The new total was USD 19.33 billion. On 19 December, President Truman asked the Congress for USD 17 billion until 1952: USD 6.8 billion for the first 15 months since April 1949 and USD 10.2 billion for the remaining three years. The aid would thus decrease each year.

The decision to finance the ERP

But an emergency aid was necessary before the Marshall aid to Austria, France and Italy. This decision was made easier by the worrying meeting of the European communist parties, at Szlarska Poreba (Poland) (22-27 September) against "the American subjugation plan of Europe." On 17 December 1947, an interim aid was voted for up to USD 540 million towards Austria, China, France and Italy. Clashes occurred again on topics such as the control of end use of the funds and propaganda. Some criticized what they saw as the colonization of Europe. France, however, received USD 312 million from 17 December 1947 to the end of March 1948.

Debates in Congress were difficult.[4] But after four months of debates Public Law 472 pertaining to the ERP was passed by 398 votes against 75. It created the European Recovery Program and the European Cooperation Administration under the responsibility of Paul G. Hoffman in Washington, DC. In Paris, at the *Hôtel Talleyrand*, Averell Harriman was in charge of the special ERP missions in Europe in each participating country (Bossuat, 1992a). But the amount of the aid was reduced to USD 5.3 billion from April 1948 to April 1949 (in fact USD 5 billion). The Congress undertook to vote each year the necessary funds until June 1952.

Drafts of the bilateral agreements were a very sensitive issue for most Europeans. Some European countries were afraid of alienating their independence. Meanwhile, the threat of war had increased since Berlin was blockaded. The British and the French criticized the American demand to obtain free access to rare resources of the European Overseas Territories. The ERP introduced an ill-defined American control which gave to the Congress, each year, the power to question the allocation of new funds.

The Marshall Plan disappeared one year before its planned end. In October 1951 it was replaced by a military aid (defense support) with another spirit, the Mutual Security Program.[5] The Congress wanted to give aid to countries that were important for American security such as Spain, Turkey, Yugoslavia, or Formosa. About ERP, William Foster, the new administrator of aid, declared to the Congressmen in July 1951, "Historians will be struck later by the realizations operated these three years and they will consider them as one of the more brilliant demonstrations of the capacity of mankind to co-operate for a common cause." This uncommon judgment from a diplomat in charge bears witness to the turn of the summer of 1951, and to the human and political adventure of the ERP.

The Marshall Plan, a revolution in Europe?

How did the Marshall Plan serve European and American interests?

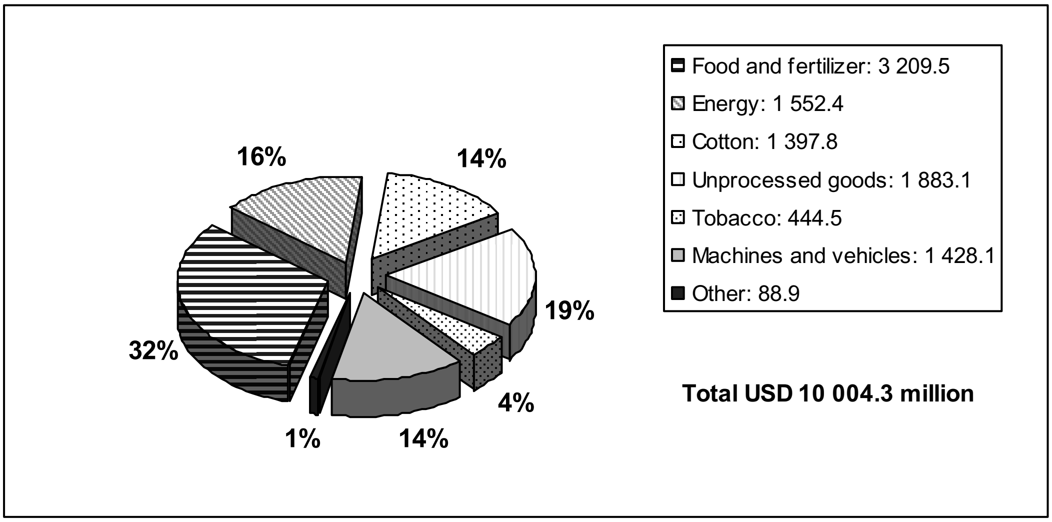
The aid had emergency characteristics for some countries. Food and raw materials accounted for 15.7% of the ERP imports in 1948-49 and only 2.2% the following year. Equipment represented 16% in 1948-49, and 34.3% the following year. In Germany the ERP imports accounted for only 7% of the USD 1.4 billion 1948 importations to which GARIOA aid (Government and Relief in Occupied Areas) has to be added. They both amounted to 37% of the German importations during the 1949 fourth semester, but only 3% in 1952. The Marshall funds of the first year were only partially used. The United Kingdom imported only 10% of her purchases under ERP. The purchase of farm products was important at the beginning of the program at least (Italy and United Kingdom). There were some purchases under duress to promote American farm exports (eggs, peanuts, fruits and American tobacco instead of Turkish tobacco).[6]

The equipment purchases amounted to 14% of ERP funds, which may not seem much, but thanks to them Europe's industrial strength was starting to work again. But the equipment year was the second year. The Marshall Plan partially financed 143 industrial equipments plans for up to USD 600 million out of USD 2.25 billion. In France, the ERP partially financed 43 great equipment plans up to USD 132.9 million (Sollac, Usinor, hydro and thermo-electric plants, oil-producing installation). In Italy, the Economic

Cooperation Administration (ECA) offered a USD 14.6 million loan to Fiat. Netherlands built polders and created a new steel industry at Ijmuiden with ERP funds. See Figure 1.3 for a snapshot of the distribution of aid by item.

Figure 1.3. Distribution of aid by item - ERP deliveries to Europe, 1948-1951

In USD million



Source: Bossuat, Gérard (1992a), *L'Europe occidentale à l'heure américaine, 1945-1952, le plan Marshall et l'unité européenne*, Brussels, Complexe.

Interest for overseas territories

The question of the development of overseas territories (OT) became important with Point Four of the Truman 1949 Inaugural Address, a program of technical assistance to underdeveloped countries. Americans showed an intense appetite for the strategic materials of the European overseas territories and the European military bases there, while arguing in the same time for anti-colonialism. In 1948, George Kennan pictured Africa as "becoming a common exploitation affair for the European nations to whom Germany would have been associated" (*Archives nationales*, 1948a).

In the French OT, the government decided that foreign investments must meet "certain conditions to make the French top interests enforced." But connivance was real, and common study investments companies were established in the OT (*Archives nationales*, 1948b).[7] However, the French government denied Bethleem Steel the right to exploit ore alone in French West Africa, in spite of a pre-agreement with the French local administration (*Archives nationales*, 1949a). It forbade direct contracts between American administration and French private companies despite the impatience of ECA and French capitalists. The Zellidja affair in Morocco proved it very clearly (*Archives nationales*, 1949b). French, Moroccan and American businessmen were jointly interested in the exploitation of the natural resources of Black and North Africa.[8]

In connection with this interest, ECA gave a special aid of up to USD 45 million in the form of grants to develop the production of strategic materials. The United States was able to bring out more than USD 1 billion worth of strategic materials from Africa each year. But the production increases were shared between the American administration and European countries. The American aid to European or American private investors (special aid) did not benefit the OT because they were not industrialized enough.

The French OT were the great beneficiaries of the special aids. See Table 1.1.

Table 1.1.Special aid to European overseas territories, 1948-1952

Zones	USD million
French Africa	50.8
Belgian Congo	19
British Africa	36.1
Portuguese Africa	4

Source: Bossuat, Gérard (1992a), *L'Europe occidentale à l'heure américaine, 1945-1952, le plan Marshall et l'unité européenne*, Brussels, Complexe.

The Europeans retained political control on their OT because they knew how to keep communism in check and keep order. However in Indochina due to the military American aid to France, local branches of the American administration were set up and opened the Indochina market to American companies which were in competition with French companies in the field of pharmacy or farm mechanization (*Archives nationales*, 1950a). The French President, Vincent Auriol, wrote: "The Americans give us money and we are paying by giving parts of our independence; that is dreadful" (Auriol, 1950). This American attitude sparked off strong reactions from the *Quai d'Orsay*, who talked about a new imperialism under "the appearances of a kind of humanitarian crusade from which religious inspiration is not out" (*Archives nationales*, 1949c) and refused idea of co-responsibility of France and the United States in the French OT (*Archives nationales*, 1951a).

Therefore, the special aid benefited to investments in ores and to extraordinary social and economic investments designed to show how the American administration was close to the needs of colonized populations (roads in Sub-Saharan Africa, soil restoration, rice culture in Morocco, ore research in Guinea, railroad in Mozambique). Up to 11% of the normal ERP given to France also benefited to the OT in the form of general interest investments or aid to private industrial plans (Sakoa coal field, iron from Guinea, public works, forestry, ore and textile industries).

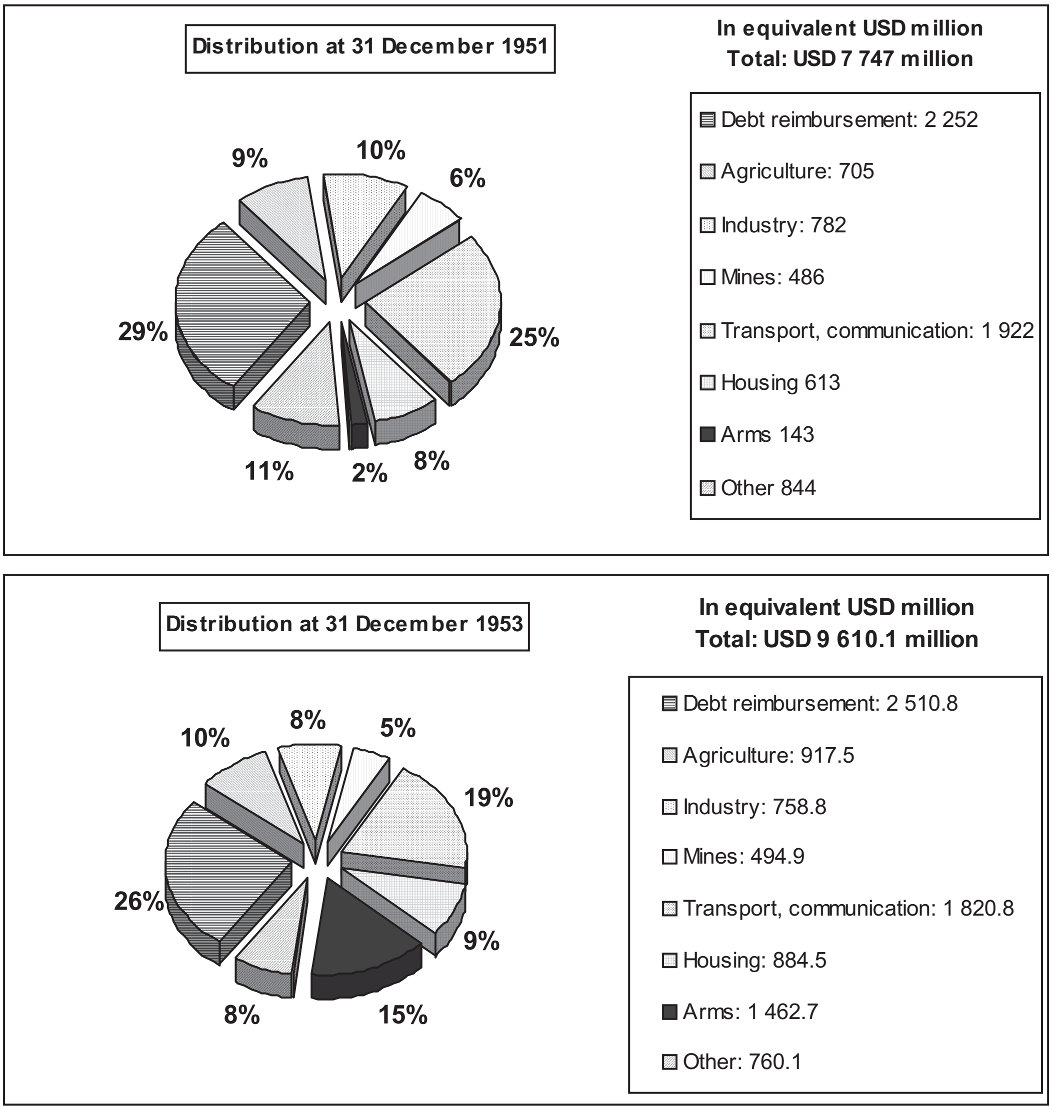
The counterpart created by the dollar aid

The ERP dollars paid the European importations on the American market as long as European currencies were not convertible. But the ERP products were sold in local currency to consumers. From this operation was born the counterpart fund which had to be used according to the dispositions of bilateral agreements. A double national and American supervision watched on these funds.

The counterpart was used either to reduce the internal debt or to invest and modernize the economy and public administration. The Congress was deeply interested in the first of these uses. Negotiations on the use of the counterpart allowed the United States to exert a control or a pressure on public expenditures. According to the Germans, ECA exerted a deep influence on the credit policy in Germany, against Erhard opinion. The counterpart has been allocated to the basic industries in the framework of a two-year recovery plan endowed with USD 8 billion.

From 1949 to 1952, the counterpart amounted to only 5.5% of the big industrial investments. In Austria, counterpart funds were used to improve the livestock farming and training. In Italy, since the first months of ERP program, the southern economic lobbies asked the *fondo lira* to allocate two-thirds of its reserve to the south. Italians were quickly instructed to solve their debt issues. In Greece, half of the counterpart funds were allocated to the recovery, reconstruction and development of companies, and emergency aid to civil war victims, and the other half to the cumulated budgetary deficits. The Turkish effort for equipment was real while an important part of the counterpart was allocated to rearmament. See Figure 1.4.

Figure 1.4. How the different items of the counterpart were distributed in 1951 and 1953



Source: Bossuat, Gérard (1992b), *La France, l’aide américaine et la construction européenne, 1944-1954*, Comité pour l’histoire économique et financière de la France, Imprimerie Nationale, Paris.

In France the most important part of the counterpart was dedicated to the modernization plan (Plan Monnet) through a budgetary line called *Fonds de modernisation et d'équipement*. The provision of the counterpart to the national budgets as extraordinary but inflationist source of liquidities was obvious. Nonetheless France and other nations can only be very pleased about it.

American pressure, advice and interventions

Did ECA modify any investment programs? ECA and the Congress showed an obsession indeed for the "good" of Europeans. They wanted a strict fiscal reform in France and Italy but got no real success. They asked for the liberalization and the use of the finance market for investments.[9] They urged the French, non-communist political parties to support reforms (*Archives nationales*, 1948d). ECA officers disliked letting the counterpart go to the national and public companies, but for two years they accepted it, allowing the French, German and Italian governments to gather important funds for the primary economic sectors. ECA decided to simply choose the eligible investments to Marshall Aid from the annual lists of planned investments.

French and American bilateral relations became sensitive in 1950 when ECA refused to finance public companies. Indeed, when Americans felt a real danger of war during the summer of 1951, the Congress imposed to use most of the counterpart for military and social housing expenses in Europe and for increases in productivity. Americans published a list of social accommodations which appeared to have been financed by the counterpart funds.[10] The social concerns of ECA were taken charge of by French unions, except the CGT, and by the American CIO (*Archives nationales*, 1951c). "We feel there are important psychological advantages to be gained [in] providing tangible benefits of immediate interest to the average Frenchman," explained Barry Bingham, Head of the ECA Mission in Paris (*Archives nationales*, 1950b).

The American control was a reality everywhere, to different degrees, but never became a secret management of the economy of the great European countries. It was not the same in Austria, Greece and even in Italy. In Greece, which was under "American protectorate", the director of the Greek foreign trade, an American civil servant, distorted the *appels d'offres* to the benefit of American interests (*Archives nationales*, 1949d).[11] European governments had to strongly react to the urgent pressure of the American missions which wanted to fight against a possible spreading of communist propaganda in Belgium, France and Italy.

But according to the French experience, the more a government was determined to allocate the counterpart in a certain way it chose, the more it had the possibility to obtain its release from the Americans (*Archives nationales*, 1949g).

Propaganda was a main concern in bilateral relations. The French administration was opposed to support political propaganda. The ECA motto "For European Recovery" affixed on the imported ERP goods disturbed the French administrative authorities, the references to the American aid on dams and French *lycées* rebuilt totally or partially under the ERP were deeply criticized or sometimes destroyed. ECA also insisted to mark its "own" social accommodations (*Archives nationales*, 1951d, 1952). The French government accepted nonetheless to organize big humanitarian operations and to inform public opinion on the radio. Funds were allocated to a non-governmental organization (NGO), American Aid to France, for the reconstruction of Saint-Lô hospital (*Archives nationales*, 1951e). On the contrary, *Electricité de France* (EDF) outraged ECA-Paris by forgetting to mention American aid in the financing of Genissiat dam. A battle of prestige and politics was in progress between competing French and American authorities, in front of the people of France and of the overseas territories.

The impact of the Marshall Plan

Contacts with the United States, with American goods, and with the men of the Marshall Plan contributed to the emergence of a new society in Western Europe. In particular, a new middle class was appearing. It was different from the classic *bourgeoisie*; it started to like American music, American thrillers and science fiction. In France, from 1953, it got used to reading a new, weekly magazine, *l'Express*, and to listen to a new radio station, *Europe n° 1*, both largely inspired by American mass media. American marketing techniques to reach consumers were starting to be used in Western Europe also. Credit, publicity, self-service developed like in the United States (Tournès, 1997). Paperback books and *microsillon* discs disturbed the habits of the youth, while Coca Cola settled in France in 1953 after a big battle in Parliament. Access to new drugs, such as penicillin or streptomycin was permitted. It was not a revolution, but a deep transformation of the values framework of an important part of European societies. **One has therefore to take into consideration the birth of a Euro-American model of modern society with different nuances adapted to each national European nation.**

The OECD, created on 16 April 1948, succeeded in liberalizing inter-European trade and in multi-lateralizing payments. To speed up the pace of trade liberalization, the United States proposed the creation of a European Payments Union (EPU). The EPU had the mission to first ease the transferability of the European currencies and later to reach convertibility, to release the quantitative restrictions on trade and to withdraw the trade bilateral practice. The plan mixed liberal economy and controlled organization of the markets.

The OECD increased European productivity by sending productivity missions to the United States or other European countries. The Americans proposed to teach participants of these missions their production methods. Productivity missions were formed with 20% white collar workers, 40% engineers or heads of workshop, and 40% workers (*Archives nationales*, 1949h). In France, worker, executive, and employer trade unions agreed to these missions, except the *Confederation générale du travail* (CGT). They were a way to persuade workers in general to accept new methods of production and to demonstrate *in situ* how a consumer society could work. The first mission was received by General Electric in Philadelphia (*Archives nationales*, 1949i, 1949j, 1949k).

The OECD and the Marshall plan, besides new aspirations for modernization, have built together the postwar society in which, says a historian, it is impossible to accept "the simplistic division between leader and followers". Modernization and the most recent American technology "produced a model of international relations which produced exchange of technology rather than one-way imports" (Varaschin, 2002).

Memory and future of the Marshall Plan

The memory of the Marshall Plan varies according to time and to social, political, and professional groups. The Marshall Plan was not ignored by European people because of an intense propaganda and of course of its obvious usefulness. But many Europeans who were not anti-American resented the deep dependence of Europe *vis-à-vis* the

United States, in a time of Cold War which drove them to adopt the point of view of the Atlantic and capitalist world.

The memory of the Marshall Plan is selective. Senior civil servants remember now how certain decisions were taken, without a political or even economic view on the context. Some of them speak mostly of the productivity missions. Few stress trade liberalization. They easily talk about EPU, but forgot the debates of OECD about liberal economy and controlled economy. The political choices have marked the memory of the Marshall Plan. Indeed, the nationalists, the communists, and the extreme left are resentful of the political dependence implied by American aid. For some people, to be in favor of the Marshall Plan, 20 years after it, was seen as a denial of USSR. On the contrary the necessity of a temporary aid was accepted by the center-left and center-right, in spite of its disadvantages. The memory of this debate remains.

The memory of the Marshall Plan is sometimes mixed with that of the military program. The Marshall Plan is wrongly considered as a rearmament plan and authors can write that the Marshall Plan was a victory of Atlanticism and a rejection of national independence. It has no longer now the same importance after the fall of the Soviet block. But the Marshall Plan remains a powerful argument for building the Atlantic solidarity.

The memory of the Marshall Plan is linked to Europe's entrance into the era of consumer society. The American presence in Europe through the Marshall Plan, military bases, high technology or even the social compromise from the New Deal, as well as anticommunism and decolonization, invited Europeans to a new world. However, that process could feed some anti-Americanism at the same time because of the threat of destruction of Europeans' own, historical values. Indeed the French opponents to the Marshall Plan were proud of their little national homeland with its gastronomic, economic, cultural or liberal arts traditions – without seeing how the war had already globalized the issues. Difficulties were made worse by the shock of the encounter with American society, which had already started, but accelerated in a period of extreme weakness for Europe.

Public opinion usually recognizes that the Marshall Plan contributed a great deal to the *Trente glorieuses* – the 30 glorious years of growth and prosperity which followed the liberation of France. Historians are divided over the impact of the Marshall Plan because Germany took off before benefiting from the Marshall aid, while France used the Marshall funds to finance the modernization plan of Jean Monnet. Moreover, the relevance of the Marshall Plan for development of any country is perceived differently in each nation according to its economic, moral, human, and financial condition. Historians have shown that the success of the ERP was linked to the previous success of a given country in the field of innovation capacities, production capability, or trade. And it is the case of the Western European countries. The Marshall plan invited the OECD countries to co-operate, a great innovation compared to the pre-war period. In fact it contributed to the division between Western and Eastern Europe.

Today the Marshall Plan is now used to warn public opinion against an impending, unusually disastrous situation demanding immediate solution. It is a great honor for the Marshall Plan. Here one is not talking about the historic Marshall Plan anymore, but about an icon representing a success story celebrated by history.

The sociologist has to analyze what the Marshall Plan means in the mind of those who call for a Marshall Plan for Eastern Europe (1991), for Africa (always), for the French *banlieues* (2005), for French universities, or for the reduction of the European technological gap. Using this historical reference without any connection with the real Marshall Plan means the will to act quickly, with efficiency and with significant financial transfers, in order to reach a quick success. Here we are entering the mythical and the miracle sphere.

Historians always say that a historical event is specific. So the Marshall Plan is linked to a period when Europe was destroyed, to the unchallenged power of the United States, to the dream of consumer society and to the power of the dollar. The Marshall Plan answered European problems because the young international institutions, such as the United Nations (UN), the General Agreement on Tariffs and Trade (GATT), and the World Bank, lacked efficiency. The Marshall Plan was a success because it associated considerable financial aid with a modernization plan of the whole European economic system, and it made the union of Europe possible. It permitted to overcome the terrific nationalisms of the 20th century. It worked because the danger of war was not urgent anymore in 1947, and it fell in 1950 due to the threat of hot war. The Marshall Plan represented an unstable equilibrium between a fixed aid (take or leave) and a negotiated aid, between political imperialism and respect for participant countries. It meant important technological and financial transfers, opening markets and minds. It drove to its own end as quickly as possible.

Conclusion

The reference to the Marshall Plan is always a necessity. But is it a model good to be reproduced in the conditions of the 21st century international relations and internal development of the states? It is a myth that crystallizes energies. The still-existing troubles against which Marshall intended to fight are called today disorder, terrorism, exclusion, poverty and hunger, illegal immigration, inflation and unemployment, as well as pollution. Now it is the European Union that fights against them, obviously in co-operation with the United States and other actors in the world. The European Union calls for the design of a new world and internal order in its own ways, in the spirit of the Marshall Plan.

Notes

1. See the conversion rate table for inflation-corrected dollars in *http://oregonstate.edu/cla/polisci/faculty/sahr/sahr.htm*, Professor Robert Sahr, Oregon State University.

2. With Joseph E. Johnson, Ware Adams, Jacques J. Reinstein and Carlton Savage.

3. France and the United Kingdom convened in that conference representatives from Austria, Belgium, Denmark, Greece Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland and Turkey.

4. Harriman report from 8 November 1947, reports by Julius Krug and Edwin Nourse.

5. The Congress approved USD 4.9 billion for European military security, and only USD 1 billion for "defense support", a term designating the old economic aid. The ECA is replaced on 1 January 1952 by the Mutual Security Agency (MSA). The Mutual Security Law of 1952-53 ceases to be associated with the ERP.

6. Luxury cars, car audio, cameras and films, clothing, sweets, household appliances, precious metals, musical instruments, personal items, sport accessories, toys.

7. Chase Manhattan Bank with *Banque de l'Indochine, Banque de Paris et des Pays-Bas,* Bank of the European Union*, Banque de l'Union Parisienne*, Lazard, Worms, Bank of West Africa.

8. The ECA was interested in manganese and cobalt from Morocco, lead from Northern Africa, graphite and mica from Madagascar, chromium from New Caledonia, and tin from Indochina.

9. "Il faut que les Américains s'immiscent dans les affaires du pays et lui apprennent à gérer ses affaires jusqu'au moindre sou", wrote Charles H. Kline on 8 October 1948 in *US News and World Report.*

   David Bruce, the ECA representative in France, writes to his administration: "If the French administration cannot provide a satisfactory commitment on budgetary and fiscal policy and cannot present us with plans calculated to achieve that policy, we should refuse to agree to the release of the counterpart" (*Archives nationales,* 1948c).

10. Paris, Le Plessis-Robinson, Clamart, La cité universitaire d'Antony, en Moselle les villes sidérurgiques, Strasbourg, Le Havre, Rouen, Douai, and the Lyonnaise region: Parilly, Saint Etienne (*Archives nationales*, 1951b).

11. Bull is replaced by Remington Rand for the sale of statistical machines. The Greek ECA refused to buy with American aid Dietrich railcars. See *Archives nationales*, 1949e and *Archives nationales*, 1949f.

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Chapter 2. The Marshall Plan and the Recasting of Europe's Postwar Industrial Systems

by Volker R. Berghahn

This chapter is designed to complement Gerard Bossuat's Chapter 1 on "The Marshall Plan: History and Legacy" and thus approaches the topic from a somewhat different perspective. While Bossuat's first presents a historical perspective in the contexts of a balance sheet and some illuminating quantitative information that is indispensable to an understanding of the impact of American aid to postwar Western Europe, my contribution attempts to raise questions about the larger historical context in which the Marshall Plan might be seen.

More particularly, it deals with the strategic calculations of the United States as the hegemonic power of the West after 1945, and starts from two presuppositions: *(1)* that American planning and policies during the 1940s are best understood if related to the ideas and experiences of a generation of decision makers that had by then moved into key positions of power and influence; *(2)* that this generation was profoundly shaped by memories of World War I and the interwar period.

This means that the announcement and implementation of the Marshall Plan must be seen against the background of the decisive role that the United States played in the defeat of the Central powers in 1917/18, followed by a similarly crucial role in the defeat of the Axis powers – Germany, Italy, and Japan – in 1941/45. The fact that America, in World War II, found itself fighting what was in many ways a repeat performance of a conflict with Germany a generation earlier, led decision makers in the 1940s to learn one major lesson from the past, *i.e.* that it had been mistake in 1919 to retreat from world politics after the country had tipped the scales in favor of the Allied victory in 1918. There was to be no second return, after the end of World War II, to isolationism and to letting the Europeans, faced once again with unprecedented human and material devastation, sort out their problems by themselves.

In the eyes of the generation that came of age in the 1920s but was still too young to wield much influence at that time, isolationism had contributed not only to the mess of reparations that poisoned intra-European relations in the 1920s; it had also exacerbated the structural weaknesses of Europe's economy and prevented a more far-reaching stabilization and modernization of the region after the blood-letting and material destruction of the "Great War", as the British called the 1914-1918 catastrophe. Worse, in 1929, the world economy that had seen a precarious recovery in the mid-1920s collapsed once more. Mass unemployment and economic despair spilled over into the political systems of Europe, promoting voter radicalization and the rise of extremist parties on the right and left of the political spectrum.

A first climax in this development was reached in Germany in 1933 when Hitler's Nazi movement seized power, quickly transforming the parliamentary Weimar Republic into a ruthless one-party dictatorship bent on overthrowing the 1919 peace settlement by military force and on conquering "living space" in the depths of the Eurasian continent. Moreover, in Italy a fascist dictator had been in power since 1922, with no less exorbitant ambitions of territorial conquest in the Mediterranean region, and in the Far East Japan was expanding into China in search of its own "Greater East Asia Co-Prosperity Sphere" (Hildebrand, 1973; Smith, 1976; Lebra, 1975). And so, in 1939, the United States again saw itself confronted with the question of whether and when to intervene in this follow-up world conflict.

The generation of American decision makers who, without being able to do anything about them, had witnessed these developments as young men at the beginning of their professional careers or as students at European universities, drew two conclusions from these experiences and memories of what had gone wrong after 1918:

1. This time the Axis powers had to be totally defeated. There was to be "unconditional surrender" without hope of compromise, such as US President Woodrow Wilson's Fourteen Points had raised among Germans in the fall of 1918 (Schwabe, 1985).
2. There was to be no second retreat into isolationism. After World War II, America would take an active role in shaping the postwar Europe and the rest of the world.

This active role was to focus on two aims, *i.e.* the re-establishment of an open door world economy and multilateral trading system, as had existed, albeit incompletely, before 1914 (Hull, 1948). There were to be no more protectionist economic blocs with imperial preference systems; no more autarkic empires such as the Axis powers were dreaming about and in fact began to build in the early 1940s. The world was to be organized along the lines of a liberal-capitalist economy based on the idea of competition in the market place and the welfare state principles that had been introduced under the New Deal.

Secondly, there was also to be competition in the political market place within the framework of democratic-parliamentary systems. One-party dictatorships of the kind that proliferated in the 1930s and resorted to the repression of political opposition were anathema to the generation that began to move into key positions at this time. Ultimately, the two spheres were viewed as interdependent. Just as lack of economic competition was assumed to be promoting authoritarian politics, political democracy could survive only if complemented by what Thurmond Arnold, the head of the antitrust division in the Washington Justice Department in the late 1930s, once called "economic democracy".[1]

Discussions of these ideas and of the lessons to be learned from World War I began among the political, economic, and intellectual elites of the United States well before the Japanese attack on Pearl Harbor and Hitler's declaration of war on the United States. They were first enshrined in the Atlantic Charter of August 1941 – a document still worth reading for an understanding of American peace aims (Brinkley and Facey-Crowther, 1994). Another pertinent summary of US peace aims can be found in a famous article that Henry Luce, the owner and editor of *Life Magazine*, published there in January 1942. Entitled "The American Century" it was implicitly critical of American foreign policy in the first half of the 20th century when it had failed to make that era "American" (Stoler, 1989). In light of this failure, the United States, he continued, should make certain that it decisively shaped at least the second half.

In order to understand the significance of these statements of the early 1940s, it is worthwhile to recall what the Axis powers were saying and doing at this same moment.

Thus, following his attack on the Soviet Union in June 1941, Hitler confidently expected the imminent collapse of Russia by the fall of that year, which would have put him in a position to execute with even greater ruthlessness and on a larger scale than before the policies of looting, exploitation, and mass murder that he had begun inside Germany after 1933 and in conquered Europe between 1938 and 1940 (Rich, 1973). Meanwhile the Japanese were continuing their brutal conquest of East Asia while Mussolini was trying to build his "Roman empire" around the Mediterranean. Clearly, the "New Orders" that the Axis powers were talking about and implementing represented in every respect the opposite of the norms and values that the West had been trying to uphold and enunciated again at the end of the war in the preamble of the Charter of the United Nations.

However, these were not just high-minded statements. Planning for the eventual peace whose arrival was merely a matter of time once the United States had entered World War II, began without delay. Experts from all spheres of society were pulled together and postwar planning committees set up at all levels. And just as the war boards and other bodies, charged with the organization of production and manpower allocation for winning the war, united people and groups from all walks of life, the planners for the postwar period also met around the table and drafted assessments and programs for the future (Wala, 1994).

They were faced with a myriad of problems and searched for answers to innumerable questions. However, there were two that loomed particularly large for the planners of the postwar European order: the role of the Soviet Union and of Germany in the "American Century". The Soviet problem was a particularly thorny one because of the deep suspicions and tensions that had existed in America's relationship with Bolshevik Russia ever since 1917 (Kennan, 1956). But in 1941, with Hitler's invasion of the Soviet Union, these differences and ideological incompatibilities had been swept under the carpet by the joint effort to defeat the Axis powers. The question before the planners in Washington was now as to whether the wartime alliance with Stalin would continue beyond the war and, if so, how and how far that country could be integrated economically and politically into the postwar order.[2] This question powerfully moved into the foreground during the preparation of Marshall's speech at Harvard University in June 1947, and was settled at that point.

Although the Soviet question was linked to the German question, the latter was actually decided upon a little earlier and will therefore be discussed first. In the eyes of the American planners and decision makers, Germany posed an awkward choice. On the one hand, she was seen by the Americans as having been responsible for the two world wars which the United States had been dragged into. There was hence a marked and understandable tendency to deal harshly with the Germans, not only in order to punish them for their crimes, but also to make certain that they would never again be in a position to unleash World War III. The most effective way of securing this particular peace aim was to destroy the war-making capacity of German industry.

However, there was another lesson to be learned, this time from the experience of the 1920s. It was during those years that a parliamentary-democratic Weimar Republic had been weakened not only by its internal antidemocratic enemies, but also by the refusal of its foreign neighbors to reintegrate it into the community of nations politically and economically. The American refusal to be a major actor in the international system of the 1920s had made a genuine revival of Weimar Germany's industrial economy all the more difficult. There were, it is true, mitigations of Germany's ostracism; but they proved too weak. It was only in the 1930s, after Hitler had destroyed the Republic and built his dictatorship that the Allies offered concessions that they had refused to make to his predecessors, thereby boosting the Nazis' domestic prestige and bolstering their aggressive designs. The other lesson to be learned from this particular earlier history was therefore that it was better to bring a democratic Germany back into the international system than to keep her out.[3]

It should be stressed that both positions were held during World War II in postwar planning circles in Washington and elsewhere. Some experts tilted more in the direction of a harsh policy while recognizing the need for reintegration; others gave priority to reintegration over purgatory.[4] The debate came to a head in 1944 when the so-called Morgenthau Plan put forward the punitive solution. There have been many myths about this plan that allegedly advocated a reagrarianization of industrial Germany. While this has been shown to be an exaggeration; US Treasury Secretary Henry Morgenthau certainly envisioned the destruction of the German industrial war production capacity that was concentrated in the heavy industries of the Rhine-Ruhr region (Kimball, 1976; Greiner, 1995).

The ephemeral acceptance of the Morgenthau Plan by US President Franklin D. Roosevelt and British Prime Minister Winston Churchill triggered a huge interdepartmental struggle in Washington. It pitted the Treasury and Justice departments against the War and State departments, with the latter two leading the "reintegrationist" camp. Indeed, Secretary of War Henry Stimson was so alarmed by the plans of the opposition that he warned that implementing the Morgenthau Plan would lead to nothing less than a revolutionary upheaval in central Europe. Anticipating that the end of the war would complete the massive impoverishment of the German population that had begun under the exigencies of the Nazis' total war effort and the massive German losses both at the front and from aerial bombing, the proposed deindustrialization, even if limited, would drive the Germans into the arms of communism at the very moment when the Allies, appearing on the scene as an occupying power, would have enough on their hands to feed the population and establish some kind of order and security. International law of occupation and humanitarian considerations left them with no other choice.

Given that large bureaucracies tend to move very slowly and interdepartmental rivalries cannot be resolved overnight, it was perhaps inevitable that the two positions continued of exist side by side as the war came to an end. It was reflected in the directive JCS 1067 that was supposed to guide American occupation policy. General Lucius D. Clay, as the man in charge of the American occupation, was prepared to pursue a tough policy toward the Germans (Smith, 1974). But when he toured the country and saw the degree of destruction and misery that had been wrought, he quickly took a more moderate line, paving the way for a policy of German reintegration rather than punishment and ostracism.

There are many manifestations of this shift after "unconditional surrender". For example, the ban on fraternization between the occupiers and the population was abandoned quite soon; the authorities and private organizations, such as the Quakers, began to feed a starving people; the reemergence of political life was encouraged with the licensing of parties, trade unions, civic associations, and news media. The initial dismantling of factories was slowed down. Instead the Military Government's Economic Division under William Draper, a former executive of the Dillon Read investment house, tried hard to get industry going (Sobel, 1991). In line with the American goal to create the foundations of a competitive open door market economy he ordered a ban on the formation of protectionist industrial cartels, *i.e.* the horizontal agreements between independent firms to fix prices and production quotas that were so widespread in the German industrial system before 1945. [5]

The element that it might be argued still reflected a concession to the hardliners around Morgenthau was the decision to break up some of the very large corporations that had occupied something like a monopoly position in the Third Reich. Two examples of this deconcentration are the *Vereinigte Stahlwerke* and the *I.G.Farben* chemicals trust (Bührer, 1986; Stokes, 1988). But Draper never contemplated their breakup into a welter of small firms. The idea was always to preserve units that were large enough to compete in a market that, like the American one, would be organized in oligopolistic fashion.

There was a major strategic calculation behind this policy of decartelization with limited deconcentration: German industry was to be used as the engine of growth in the planned reconstruction of European industry under American aegis and according to Fordist principles of organizing a modern system geared to mass production and mass consumption to be discussed in a moment. Indeed, German industry was well placed to fill this role. It still was potentially the strongest in Western Europe, and Draper wanted to mobilize that potential for Western European reconstruction at large.

Having examined why the Morgenthauians failed to push through their solution to the German question and thus also explaining why West Germany came to be included in the Marshall Plan just a few years after the end of a horrific world war, there are now two further issues that have to be mentioned in the context of our topic.

The first issue emerged from scholarly criticism of the importance and effectiveness of the Marshall Plan. Thus, the British economic historian Alan Milward in his influential book *The Reconstruction of Western Europe* has argued that Marshall's European Recovery Program (ERP) was but a minor factor in the resurgence of Europe (Milward, 1984). According to Milward, the Europeans more or less pulled themselves up by their own bootstraps. He was seconded by the German economic historian Werner Abelshauser who asserted that the crisis in the German economy, especially in the winter of 1946/47, was essentially of crisis of a breakdown of the transportation system, not of insufficient production and capacity. Once this crisis had been overcome, West German recovery had begun before the arrival of ERP funds (Abelshauser, 1989).

These arguments have been vigorously disputed by other experts who have marshaled their own statistical evidence against Milward and Abelshauser (Hardach, 1987; Schröder, 1990). However, the two of them may also be said to have overlooked an aspect of ERP that cannot be quantified and leads us into the less tangible field of social psychology. The fact that the US administration in Washington, through its Secretary of State, committed itself in June 1947, if not before, to the economic reconstruction of Europe was, to begin with, an enormous boost to European morale. Abandoning its isolationist tradition from the post World War I period, Washington came into Europe prepared to help the region lift itself out of its post-1945 destruction and depression. The optimism that this generated is obviously difficult to quantify, but it would be wrong not to factor it into an assessment of the recovery of the late 1940s.

There is yet another qualitative factor: Washington's official commitment to Europe also encouraged American private industry. Some of the big corporations had investments and production facilities in Europe whose expansion and modernization they were now more prepared to consider. Other firms, with a strong dollar in their hands, similarly contemplated attractive participations in European companies that were looking for

American technology, new production techniques, work organization, management, and marketing.

This, finally, leads to an aspect of the execution of the Marshall Plan on which a good deal of research has been done over the past decade: the Productivity Councils. This was a program developed by ERP administrator Paul Hoffman, a former president of the Studebaker Corporation, and his colleagues to take European managers, trade unionists, politicians, and bureaucrats to the industrial centers of the United States (Raucher, 1985; Hoffman, 1951). They were invited to witness steelmaking in Pittsburgh, tire manufacturing in Ohio and the long assembly lines of the Ford Motor Corporation in Michigan. They were also shown the full car parks outside the factories, department stores, and the benefits of a consumer society (Kipping and Bjarnar, 1998). Hoffman's hope was that these visitors would go back home sufficiently impressed to think of introducing, in their own enterprises, some of the institutions and practices they had seen across the Atlantic. He did not expect them to copy everything, but develop variants that took account of indigenous traditions and attitudes. Although there has been some discussion of *Americanization and its Limits* of this kind, the impact of this program on gradual economic change in Europe should not be underestimated (Herrigel and Zeitlin, 2000).

The fact that West German industry had been earmarked by the Americans to become the motor of European reconstruction and by 1948/49 had in fact taken on this role, inevitably alarmed West Germany's neighbors, particularly the French, the fourth occupying power. One response to what the French government had come to realize the Americans wanted to do in postwar Western Europe economically was to develop a major plan for the modernization of its industries (Kuisel, 1983). It was led by Jean Monnet who, based in Washington during the war, had glimpsed enough of American postwar planning to want to prepare French industry for the new competitive American-dominated world economy and multilateral trading system that he saw coming.

But there was also the fear of German industry, especially of the Ruhr that had provided the military hardware of two invasions of France. For a while, Paris fell back on its interwar strategy of trying to keep West German industry weak. When this was vetoed by Washington, the French pushed for the internationalization of the Ruhr and failed again (Hitchcock, 1998; Willis, 1962). It is against this background that the effort of the ERP administrator must be seen to give France a major chunk of the aid package. The blocking of France's German policies by the Americans and the sense on the part of the latter that something must be done to reassure Paris finally explains why Hoffman made a major speech in Paris in October 1949 in which he encouraged the Europeans to integrate their economies and to start with coal and steel, so vital to the successful reconstruction process.

To quote him directly, he began by applauding European reconstruction efforts. He had seen "anxiety give way to hope" and was now asking his audience "to turn hope into confidence." He called upon his audience "to move ahead on a far-reaching program to build in Western Europe a more dynamic, expanding economy which will promise steady improvement in the conditions of life for all its people. This means nothing less than the integration of the Western European economy." Later Milton Katz, one of Hoffman's closest collaborators, recalled this speech as the point "when we began moving away from the original problem of how to organize a sensible aid program to the larger emphasis on the reorganization and the restructuring of the European economy and European society" (Behrman, 2007).

Indeed, in line with American objectives, as formulated during the war, reorganization had always implied a recasting. It is therefore no coincidence that Hoffman, appearing before the Sub-Committee of the Appropriations Committee in Washington in May 1950 (*i.e.* at the time of the Schuman Plan announcement) argued that the destruction of the European cartel tradition filled him with great hopes "for the reestablishment, via Germany, of competition in Western Europe." The aim was to build in the Federal Republic "the kind of free competitive economy that we have in the United States." Once this had been achieved with the means that he had developed within the ERP framework, Germany would have "a very effective economy" whose principles would spill across the Rhine (Berghahn, 1986). After all the adoption of competition in a powerful industrial economy like that of the Federal Republic would also stimulate competitiveness among its neighbors. Germany, in other words, was to be the engine of material recovery and the pacemaker of American-style capitalism with a Keynesian face. The forces of the market were to be unleashed, while upholding the welfare state and a sense of solidarity with those who, for perfectly good reasons, could not fully participate in the rising prosperity (Collins, 1981; de Grazia, 2004; Daniel, 1982; Ellwood, 1992; Herbst *et al.*, 1990; Lundestad, 1998).

Again there has been some debate about who initiated the Schuman Plan and the creation of European Coal and Steel Community (ECSC). There can be no doubt that most of the credit must go to Monnet and his team as the driving force behind this scheme in 1950/51 (Gillingham, 1991; Wilkens, 2004). But again the American contribution to the conception of the ECSC has been very important, and so was the help that Washington gave the French during critical phases in the negotiations. In the end, the managers of the Ruhr industries had to be pushed into accepting the draft that Monnet submitted in the spring 1951, and without the leverage that US High Commissioner John J. McCloy had and used in Bonn, the first step to the later European Economic Community and the European Union might well have come to grief (Schwartz, 1991).

If we have examined the Marshall Plan thus far in its various ramifications, including the German question that loomed so large in the postwar settlement, we must finally return to the Soviet question. As is well known, the wartime alliance with Stalin did not hold. The structures and principles of the socio-economic and political order that Washington and Moscow embodied were just too far apart to be integrated under the same roof. The Cold War was probably unavoidable. It is nevertheless intriguing that Marshall extended the invitation of aid also to the countries of Eastern Europe and to Stalin. A good deal of research has been done on how sincere this offer was and how seriously Moscow contemplated it. But the fact remains that Stalin ultimately turned the offer down (Roberts, 1994; Hering, 1997; Westad *et al.*, 1994).

There is general agreement that this outcome was very distressing to societies that were soon incorporated into the Soviet Bloc. They had to wait for another 40 years before they could become part of a European Community that had meanwhile emerged as a major zone of prosperity and stability with more or less well functioning parliamentary democracies. It is a story that Professor Geremek's contribution takes up. But there is an irony in that it may well be doubted if the Marshall Plan would have been as successful as it was had Washington not been able to concentrate its effort on Western Europe. Certainly, the original estimates of the funds required were much higher than what Congress eventually approved. We should also not overlook that a good deal of domestic opposition had to be overcome in the United States.[6]

It is an open question as to whether the Administration would have succeeded if the countries of Eastern Europe had been included in the program. Even more seriously, there is the problem of how much change ERP could have affected. In Western Europe the aid flowed into societies that were largely urban and industrialized. The economies of Eastern Europe, on the other hand, had remained rural and agricultural. However, historians are never happy to draw up large counter-factual scenarios of how things might have developed if Stalin had agreed to the American offer. History took a different turn in 1947. Having prospered under American hegemony, the West Europeans were economically strong enough by the 1980s to help the former Soviet Bloc countries, in conjunction with the United States, in making their transition to modern competitive market economies, consumer societies with rising living standards, and political systems that had left behind the authoritarian and repressive structures of the Soviet period. In a way, this, too, may be seen as part of the long-term impact of the Marshall Plan.

As we have seen, the United States learned many lessons from the period prior to 1945 that were applied to the conception and execution of the Marshall Plan. If there is a lesson to be learned from this experience for the 21st century, it is that a successful strategy of postwar socio-economic change that ERP encapsulated has to be prepared well in advance and must bring together the best expertise. Amateurs who are oblivious of history and societal complexity will merely produce disaster.

Notes

1. On the interconnectedness between "economic democracy" and political democracy as understood in the United States, see Arnold (1940). On Arnold see, for example, Gressley (1964).

2. See, for example, Mason (1940). This book was, significantly, published under the auspices of the influential Committee on Economic Development, an economic think-tank and discussion circle whose membership included many prominent businessmen and a *pendant* to the Council on Foreign Relations that was more concerned with political planning.

3. See, for example, Robbins (1997) and Schmidt (1986). There was also an American version of "economic appeasement". See Schröder (1970). The basic idea on both sides of the Atlantic to entice Hitler back into the international system by offering political and economic concessions in return for a promise that he would not overthrow the territorial status quo by means of force. By 1938/39 it was clear that Hitler was not prepared to accept this kind of deal. He was aiming at military conquest and an autarkic empire.

4. For an excellent study on this topic, see Mausbach (1996).

5. Cartels had also been formed in other West European countries and there was also a trend toward the formation of international cartels, often directed against their American competitors.

6. Thus Allan Dulles', *Marshall Plan*, (1993) was originally written to highlight the importance of this program, but was not published at the time, partly because the Administration's domestic propaganda effort was yielding results.

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Chapter 3. The Marshall Plan and European Integration

by Bronisław Geremek

Introduction

As a Polish intellectual and politician I was honored and privileged to be able to take part in the conference marking the 60th anniversary of the Marshall Plan, even though my country was not included in the original European Recovery Program. Under pressure from Stalin, the Polish government of the time rejected the United States' offer of assistance, as did the governments of all East Bloc countries. This meant that Poland was condemned to four decades of economic under-development and subjugation to the Soviet Union. During the debates on what the plan's geographical extent should be, France in particular was in favor of Poland's inclusion in it. Prime Minister Paul Ramadier said in 1947, "It is necessary for that unity to also include Poland, because then we would be able to say that Europe extends at least as far as the Vistula." I would like to express my gratitude also as a European politician and president of the Jean Monnet Foundation for Europe, because Monnet, one of the European Union's founding fathers, played a crucial role in the promotion and implementation of the Marshall Plan, and the plan itself was an element of the process of European integration.

American aid to Europe has been extensively discussed in the historic literature, which includes the works of Alan Milward, Stanley Hoffman, Tony Judt, and the exemplary work of Gérard Bossuat. In this paper, I shall focus primarily on the Marshall Plan's impact on European integration.

Historical perspective

The Marshall Plan can be considered in the short time it was in place, from George C. Marshall's speech at Harvard University on 5 June 1947 to the outbreak of the Korean War and the reorientation of American policy in 1951. When seen in this perspective, it is obvious that it was an extraordinary undertaking, one which defined Western Europe's development trends for decades to come. In terms of "probabilistic" or "counterfactual" history, it can be supposed that without the Marshall Plan, the postwar history of Europe would have would have been entirely different. Germany would have been weak and fragmented, vulnerable to annexation into the Soviet bloc, or at any rate economically and politically marginalized. France and Italy would have had to confront the perspective of being ruled by communist parties subordinated to the strategic objectives of the USSR. The United Kingdom, absorbed in the internal crisis of its empire, would have turned its back on the Continent, and the English Channel would have become a civilizational frontier. The United States would have oriented its policy toward the Pacific, tending toward isolationism and limiting its Atlantic involvement only to the other English-speaking power, United Kingdom. Without the Marshall Plan the world would have been very different indeed.

However, we can also consider the Marshall Plan in a much broader perspective – of the period of 1914-1945, which would include both world wars. Some historians see the two wars as a Thirty Years' War, so closely were they connected. As a strategic endeavor, the Marshall Plan grew out of the bitter experience of World War I and the attempts to establish a new European order. Other significant factors included the memory of the effects of the United States' withdrawal from European affairs, of the lack of a vision for the defeated Germany's postwar future, and of the insufficient level of co-operation between European states within the League of Nations and outside it. From this perspective the Marshall Plan can be seen as an expression of the far-sighted geo-strategic approach of the United States, which overcame the temptation of isolationism and undertook the challenge of co-operating with Western Europe on laying the economic foundations for a new European order. The key concept of Marshall's Harvard University speech was that for American aid to be effective, the countries of Europe must agree on their own expectations as well as on the actions they themselves would undertake in order to carry out the plan. Just as important were the words addressed to the Americans, reminding them of the United States' historic responsibility for Europe's success in its postwar reconstruction.

The Marshall Plan was initiated already after the beginning of the long "Cold War". Winston Churchill had already made his speech about the "iron curtain" which had divided East and West. In 1947 Walter Lippman published his famous book, "The Cold War". The French historian Georges-Henri Soutou gave his book on the confrontation between East and West the significant title "The Fifty Years War", with the beginning of that war in 1943 and its end in 1990 (perhaps the more accurate date would be 1989, when the people of that "other Europe" overthrew the communist system). Although I believe the ideas on which it was based and its political intentions seem to place the Marshall Plan outside the logic of the Cold War, its outcome played a fundamental role in unifying the West and forming the Euro-Atlantic community.

The European postwar context and the Marshall speech

We now know that Marshall's Harvard speech was prepared in secret by a team of the Secretary of State's closest co-workers, headed by George Kennan, and that it came as a surprise to European leaders. However, there was a growing conviction in both Europe and America that international policy could not be a continuation of the war-time alliances; this was proved right by the growing tensions within the Big Four on the subject of the administration of occupied Germany, as well as about the European situation in general. In his memorable 1946 Zurich speech, Winston Churchill introduced the idea of the United States of Europe, thereby presenting the issue of the unity of continental Europe as an urgent challenge of the moment.

Diplomatic activity focused on the political future of Germany. After the foreign ministers of the Big Four met in Moscow in the middle of 1946, it became clear that France would not accept the idea of German unification and the UK minister, Ernest Bevin, convinced US Secretary of State James F. Byrnes that the English-speaking nations should support the French in order to maintain the unity of the West. In his speech in Stuttgart on 6 September 1946, Byrnes stated that American troops would remain in Germany as long as the troops of the other great powers. Through the Bizone and

Trizone, this led to the creation of the German Federal Republic and cemented the division of Germany. The challenge was the catastrophic material situation of the German people. In 1997, Helmut Schmidt described those years in the following words, "I had imagined that when we lost the war we Germans would have to live in caves and holes in the ground, but this apocalyptic vision turned out to be much worse than our actual conditions. True, we struggled for coal and food; there were days during the winter of 1946-1947 when we stayed in bed because there was nothing to eat and nothing to burn for warmth. Divided into four zones and occupied by the allies, Germany was in agony. Its remaining industrial capacity was being dismantled, unemployment was rising, and the black market was the only market."

The situation in France after the end of the war was not very different. The specter of famine and galloping inflation, coal and coke shortages, ration cards providing the citizens with amounts of food that were frequently smaller than during the occupation – that was how the French lived in the years after World War II. Reparations from Germany were not enough to revitalize French industry. France's gold reserves were becoming exhausted at an alarming rate. When American wartime aid under the Lend-Lease program ended, the French economy felt an acute shortage of dollars. Plans for British-French co-operation did not bring political nor economic results. In this situation, Jean Monnet's voice was clear: France needs American assistance, and Germany should be given a proper place in the reconstructing Europe.

The situation in other countries on the continent was not much different than in Germany and France. Italy and the Netherlands were in a similar situation, as were the countries of Eastern and Central Europe, which had been invited to take part in the Marshall Plan. Jean Monnet noted in his memoirs that England had exhausted its resources to a similar extent as France and in 1947 was forced to suddenly suspend its aid to Greece and Turkey, which threatened not only Great Britain's post-imperial interests, but also the stability of all of post-Yalta Europe. The United States' response was immediate: President Harry Truman asked Congress for loans and arms for Greece and Turkey. The civil war in Greece influenced the President to make the 12 March 1947 proclamation in which he formulated what came to be known as the Truman Doctrine, stating that all nations fighting for their freedom could count on assistance from the United States. Another element of the doctrine was the declaration that American aid would be primarily economic and financial, in order to support economic and political stabilization. The Marshall Plan should be seen in that context. The failure of its conciliatory diplomatic overtures toward the Soviet Union reinforced the United States' belief in its historic responsibility.

Jean Monnet records in his memoirs that Marshall's Harvard speech surprised him, but that at the same time he was pleased that it reflected his own analyses, which led to the conclusion that the most important thing was to help others help themselves. He felt admiration for the results of the work of the American team which had developed the plan. Marshall, Acheson, Clayton, Harriman were all people he knew well. Another one was John Foster Dulles, whom Monnet had befriended already in the first years after World War I. In the face of the Russians' blocking all decisions on the future of Germany, the future secretary of state, at that time a Republican senator, convinced General Marshall that the resources of the Ruhr should become the focal point for the reconstruction of the European economy, with the region remaining under the supervision of Germany's neighbors. In that way France could receive satisfaction, all of Europe – a chance for recovery, and the United States could foster Western solidarity against a rising Eastern Bloc.

Another reference point for the Marshall Plan were George Kennan's arguments about the ideological root causes of Soviet expansionism and the strategy of containment as the only effective way the West could oppose that threat. The Marshall Plan fit in with this line of reasoning, since by providing Western Europe with economic support, it deprived the communist parties in those countries of a chance to take advantage of social discontent and seize power. Without American aid it would have been necessary to introduce severe austerity measures, which could have caused social unrest and in consequence radical political changes.

This political aspect of the Marshall Plan, *i.e.* the defense of Europe against communism, went hand in hand with a geo-strategic aspect – the aim of restoring Germany to its proper place on the European political scene. This was what General Marshall was referring to in his Harvard speech when he said, "Any government which maneuvers to block the recovery of other countries cannot expect help from us." Since he could not have been referring to Russia, which would not be receiving any aid, he meant Germany, whose recovery France feared.

It can thus be said that in its general political intentions, the Marshall Plan was in line with the Truman Doctrine and the plan of containment authored by X – *i.e.* Kennan – and did not in fact promote European integration. The plan can be considered to form an integral part of the development of the Euro-Atlantic alliance – with the Treaty of Brussels of 1948, which created the Western European Union (WEU) and the 1949 Washington Treaty, which established the North Atlantic Treaty Organization (NATO).

Jean Monnet and European contributions to the Plan

"It would be neither fitting nor efficacious for his Government [*i.e.* the US Government] to undertake to draw up unilaterally a program designed to place Europe on its feet economically, this is the business of the Europeans. The initiative, I think, must come from Europe". The response to these words spoken by George Marshall was already prepared: it was the Monnet Plan. It was the voice of France, but spoken by a great European.

Jean Monnet had worked at the League of Nations and the bitterness of that organization's impotence stimulated him to think of the future of Europe in entirely new terms. It was already in 1940, during his stay in the United States, that Monnet and his American and European friends had the first discussions which helped form his conception that the European federal idea must begin with the postwar rebirth of the nation-states, followed by their interlinking through bonds of economic co-operation. During his stay in Algiers with his future co-workers (Hervé Alphand, Robert Marjolin, Etienne Hirsch, René Mayer) on 5 August 1943, Monnet presented a memorandum which constituted a plan of an action strategy for the postwar years. Remembering the two plans which Monnet was to formulate after the war – one named after him and the other after Robert Schuman – we read this memorandum, full of detailed and even technical directives, with a mixture of emotion and admiration. It unequivocally supported federal co-operation on a pan-European scale, warning at the same time against returning to national prestige politics and protectionist practices. Monnet believed that protectionism and "economic nationalism" constituted a fundamental threat to the future of Europe.

Monnet addressed his own country, "France is connected to Europe. It cannot escape that. The life of France depends on solving the European problem." Monnet was deeply convinced that individual European countries were too small to guarantee their people economic prosperity in line with modern standards. In his 1943 memorandum he also applied that thought to France. He repeated this in 1945, when he told General de Gaulle, "You speak of greatness of France, but today the French are small." He said it once again near the end of his life, when he visited President Valery Giscard d'Estaing at the Élysée Palace, "France is too small to achieve its greatness without Europe."

After the war, however, Jean Monnet was confronted with the task of rebuilding France from the destruction it had suffered. As a member of the Provisional Government and, after the liberation of France, head of the Planning Commissariat, he seemed to put his European ideas and hopes aside. He not only had to deal with the consequences of wartime losses and the desperate state of the national economy. It was also necessary to introduce deep structural changes into the national economy and on this point General de Gaulle and Monnet concurred fully: France needed to be modernized, and its economy adapted to the challenges of the times. It was imperative not to repeat the mistakes that had been made after World War I, when it was universally believed that German reparations would enable France to overcome its economic devastation, and the necessary reforms were not introduced.

Monnet, working feverishly with a team of his close associates in temporary quarters at the Bristol Hotel, developed a project that what came to be known as the Monnet Plan. The wartime years had made people used to state interventionism, while Keynesian concepts and Roosevelt's New Deal promoted new ways of thinking about economic restructuring. From the very beginning, Monnet assumed a close co-operation with America. Thus, in France, the Marshall' Plan received an appropriate and original response: the Monnet Plan, foreseeing a mass mobilization of the French society in a collective effort.

However, Jean Monnet had no influence on the formulation of the Marshall Plan, he did not inspire it, nor did he play an active part in the initial negotiations. He also had a critical attitude toward the Marshall Plan in certain areas, believing it was overly strict and did not acknowledge the importance of flexibility. George Marshall likewise did not conceal his reservations about Monnet's program or his fears that it separated the interests of France from the situation of Europe as a whole. However, there can be no doubt that both programs shared a common philosophy of action and that their concurrence was a fortunate stroke of fate that enabled them to succeed.

Solidarity *vs*. hegemony

From the very beginning, opinions of the Marshall Plan in Europe represented a confrontation of two legends – the black and the white. Public opinion in European countries was divided between the fear that the plan was an instrument of subordinating Europe to American hegemony, and the conviction that it was an expression of American solidarity with the Old Continent. This division did not always run along party lines or the divisions between right and left. Leon Blum was enthusiastic about the plan, and even the Italian communist leader Palmiro Togliatti initially gave his full support to the new perspective of American aid. Only the failure of negotiations with Russia and Stalin's decision rejecting any possibility of the participation by Eastern Bloc countries in the Marshall Plan, followed by the creation of the Cominform in October 1947, changed this situation: the Marshall Plan became one of the factors that crystallized the division between East and West.

European integration and the Marshall Plan

When judging the historic significance of the Marshall Plan in a longer perspective, we have to weigh its real meaning for the entire process of the postwar integration of Europe. There have been suggestions that the influence of the American aid program on the state of the European economy should not be overestimated, because the growth of the European economies dated from the economic crisis of the spring and summer of 1947, and in fact pre-dated the mass influx of American assistance. It has also been pointed out that countries that received less American aid experienced stronger economic growth than those who received it on a larger scale. Doubts are also raised about whether the Marshall Plan had any real influence on the unification of Europe.

Even if we assume that America's aid to Europe was only one of the factors that contributed to economic recovery, Tony Judt rightly states that thanks to it, "Western Europe in 1947 had a stroke of extraordinary good fortune." The philosophy behind George Marshall's speech was in fact based on stimulating the European countries to independent action.

Jean Monnet's role in this process cannot be overestimated. He promoted the idea of granting Germany a place in the reconstruction of Europe's economic life and integrating the defeated country into the future Europe. The Schuman Plan, of which he was the architect, laid the groundwork for the Franco-German reconciliation, without which European integration would have been unthinkable. From Marshall's call to create an alliance of European states for economic recovery, Jean Monnet was able to fashion an instrument of European integration. The synergy of the Marshall Plan and the Monnet Plan was the basis of that process.

Describing Europe's desperate situation, Marshall said, "The remedy lies in breaking the vicious circle and restoring the confidence of the European people in the economic future of their own countries and of Europe as whole." However, the creation of the European community did not result directly from the American aid plan. Recorded in Monnet's *Memoirs* are "the great inspirator's" reflections after the discussions he had in Washington in the spring of 1948 with his American partners and friends. At that time, the convention establishing the Organisation for European Economic Co-operation (OEEC) was signed in Paris. Monnet was critical of the fact that the new organization was based only on co-operation between governments. In a letter to the French foreign minister, he wrote the significant words, "Efforts by the various countries, in the present national frameworks, will not in my view be enough. Furthermore, the idea that 16 sovereign nations will co-operate effectively is an illusion. I believe that only the establishment of a *federation* of the West, including Britain, will enable us to solve our problems quickly enough, and finally prevent war. I realize how difficult it is – it may even be impossible – but I see no other solution, if we have the necessary respite." Jean Monnet feared that the balance between America and Europe could be upset, because the former was marked by extraordinary political dynamism, whereas the latter remained trapped in traditional political forms and a traditional mentality. This could have resulted in upsetting the political balance between the two partners, or even the long-term dependence of European production on American loans, and Europe's security on the military and political potential of the United States. It is significant that these fears were voiced by one of the most pro-American of French politicians. In a letter to Robert Schuman, Monnet wrote that the conclusion he arrived at after his discussions in Washington was that "to tackle the present situation, to face the dangers that threaten us, and to match the American effort, the countries of Western Europe must turn their national efforts into a truly European effort. This will be possible only through a *federation* of the West."

The road to that end did not lead through the OEEC, which was only an inter-governmental organization, nor through the enthusiastic initiative of the 1948 European Congress in The Hague: the first of these was not ambitious enough; the second was not sufficiently pragmatic. He believed the proper solution was to seek an instrument intended to bring together people, and not create a coalition of states: the coal and steel community initiated in 1950 was meant to be such an instrument. History would prove Monnet right.

Still, it is difficult to imagine the start of the process of European integration without the Marshall Plan. It played a decisive part in the reconstruction of war-torn Europe. It created links of interdependence between European states. It ensured the inflow of badly needed funds. Tony Judt, a historian of that time, writes of the psychological effect of the plan – that it gave the Europeans a new consciousness; helped them reject a nationalist mindset and the temptations of authoritarianism; promoted the need for individual countries to co-ordinate their economic policies; and demonstrated the absurdity of the trade and financial conflicts that neighboring countries had engaged in between the world wars. It is true that for Europe "the dollars were less important than the psychological boost." While it covered only Western Europe, in a continent divided into two opposing blocs, the plan created conditions enabling the affirmation of a socio-cultural model formed around a set of fundamental European values. As Jean Monnet wrote about the American aid, "the economy, at that time, was not just a matter of material well-being: it was the necessary basis for national independence and the preservation of democracy." The Europeans regained faith in the future and in their own strength. And this was a necessary prerequisite for the unification of Europe.

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Chapter 4. A Usable Marshall Plan

by Barry Machado

In an age of renewed totalitarian threats, challenges to Western values, and economic crises throughout the developing world, democratic governments seek insights on how best to respond. The Marshall Plan stands, seemingly, as one shining provider. But can an experimental program of the late 1940s and early 1950s actually supply important guidance to foreign policy makers in the 21st century? And by embracing it as a model, do they not choose to overlook what prominent scholars consider its inconvenient truths? At least one influential historian of the European Recovery Program, Alan Milward, has asserted its irrelevance while another, Michael Hogan, has claimed American ideology as its dominant animating force. Is it not then a beacon whose light burns too dimly, or not at all?

My answers in this chapter are threefold: Marshall Plan lessons abound, histories that dismiss or diminish its historical significance are flawed in important respects, and other histories illuminate its enduring relevance as well as its current and future limitations. In support of these conclusions about a usable past, this chapter focuses on four related topics: it assesses, briefly, the Marshall Plan's two principal misrepresentations; singles out for recognition a long-undervalued Marshall Planner; analyzes how the Marshall Plan was disregarded and misapplied in postwar reconstruction of Iraq; and, lastly, evaluates the Marshall Plan's biggest but avoidable weakness.

(Mis)interpreting the Marshall Plan

In their own fashion the Marshall Plan's standard, comprehensive, English-language histories suffer from present-mindedness and overstatement. Alan Milward's revisionist account, while deeply researched, powerfully argued, and of great value, exhibits how historians can read contemporary grievances into past conduct, with unfortunate results (Milward, 1984; *Diplomatic History*, 1989). In apparent reaction to Washington's controversial European policy of the early 1980s, Milward advanced what seems a perfectly Orwellian subtext: the reinterpretation of America's landmark program in order to discredit its current proposal. One also suspects a settlement of accounts for America's Vietnam debacle. His thesis is as much about false consciousness as counterfactuals. Except in France and the Netherlands, he argues, the Marshall Plan really did not matter. He concludes that "American diagnosis of Europe's economic difficulties in 1947 was wrong," with its underpinnings "quasi-religious assumptions" and "puritanical, missionary zeal to put the Old World to rights." Allegedly, prior conventional wisdom had been a huge misunderstanding.

Clues to the author's ulterior motive and animus surface at times. Top Marshall Planners were, in the British historian's opinion, "parochial, complacent and arrogant," traits identical to those that "were to mar American policy making in more helpless parts of the world" in later years (Milward, 1984, pp. 210-11, 285). Is this true? Were the Marshall Plan and the disastrous Vietnam War really parts of a coherent, misguided postwar diplomacy, as implied? Milward's message has transparency. If Harry Truman, George C. Marshall, and their advisers – "Wise Men" to some (Isaacson and Thomas, 1986) – were mistaken at the Cold War's outset, and the most celebrated triumph of America's leadership in the anti-communist crusade proves on closer inspection an illusion, then Ronald Reagan and his counselors could not be trusted to get it right in another Great Power "crisis" with the Soviet Union either. Most revealing of Milward's political agenda is that Josef Stalin vanishes from his analysis, while the Cominform, Czech Coup, and Berlin Blockade/Airlift remain offstage as well. Communism itself merits scant mention. Curiously, a real-life Winston Smith dropped a most vital geopolitical context, and some inconvenient facts, down the memory hole. Milward's anti-Americanism is at least more subtle than Harold Nicolson's once was.

Michael Hogan's book has no comparable ax to grind. Selective perception, though, weakens his obvious response to Milward's reinterpretation (Hogan, 1987). Despite prodigious work in primary and secondary sources, the American historian overstates his own case, too. To Hogan, the Marshall Plan did in fact matter in Europe's postwar recovery, but it also represented a grand strategy to "remake the Old World in the image of the New." Hogan's Marshall Plan was a radical quest for a New Order in Europe that aimed to "close the door to extremist elements on the left and the right."[1] His Marshall Planners consciously promoted European reforms in America's likeness, pushing economic integration and growth as panaceas for political failings. Public-private co-operation, as well as adoption of a "mixed American economic system" with the New Deal as archetype, constituted dominant goals. Only partially successful in their ambitious objectives, Marshall Planners left Western Europe "half-Americanized". But they purportedly set in motion forces that in subsequent years institutionalized their values.

Like Milward, however, Hogan wore his own "*post hoc, ergo propter hoc*" blinders. Maybe the heavy ideological content of the so-called Reagan Revolution, and the reaction provoked by it, blurred his perceptions of the past. Much historical scholarship of the 1980s treats the late 1940s as if it were the prior decade. For Milward's anti-American motivation, Hogan substituted a myth of Super-Americans driven ideologically to transform Western Europeans into replicas of themselves. Rather than ignorantly, as Milward maintains, Hogan's Marshall Planners acted purposefully, remarkably united and tenacious in their efforts. Whether at the Economic Cooperation Administration's (ECA's) Washington or Paris headquarters, or its 16 country missions, a shared commitment to the same priority supposedly prevailed.

In fact, Marshall Planners "accepted the principle of British exceptionalism," supporting Britain's leadership of the sterling bloc and accepting its rejection of the Schuman Plan, which Hogan himself amply documents (Hogan, 1987, pp. 261, 292). They also extended to France, Italy and Norway, for example, additional passes for their own exceptionalism, something other historians have persuasively shown. Just how great, then, was the structural integrity of the Economic Cooperation Administration's "design" for Western Europe, let alone the commitment of "designers" and implementers to its elaboration? Instead of being propelled by ideology, Marshall Planners often behaved in highly pragmatic ways. They were frequent proponents of what promised to work rather than an abstract political economy. Relations with 17 recipient countries reflected two principal realities: a genuine partnership, full of friction, and national self-help, attended by occasional unwanted prodding by the donor. Both took precedence over promoting an ideology. As historian Kathleen Burk has noted, where Milward's analysis had been "relentlessly economic", Hogan's reformulation was "relentlessly political".[2]

Fortunately, re-revisionism has found its voice. A new judicious treatment of the Marshall Plan has recently been published. Unlike Milward's and Hogan's, Greg Behrman's "narrative" history makes productive use of scores of interviews and oral histories provided by Marshall Planners on both sides of the Atlantic.[3] Behrman also exercises greater empathy than Milward did, returning to the fearful European world of the late 1940s. There, reason and high emotion mingled. On its own terms he has effectively recaptured Western European society: a place where a grave "crisis of confidence" overshadowed severe balance-of-payments, inflation and production problems. Purposely, he has readjusted and enlarged his historical focus, evaluating the Marshall Plan's impact in its economic, political, geopolitical and psychological dimensions. His interpretation echoes the conviction of Milton Katz, ECA's second-in-command in Paris. Katz comprehended the "heart" of America's European policy from1947 until 1952 as the "integration" of those same four "factors" instead of an obsession with the integration of Europe (Katz, 1975). Behrman's Averell Harriman did not obsess about reshaping Milan's boardrooms and workplaces to eventually resemble Chicago's. America's wartime ambassador to the Soviet Union worried more about Stalin's paranoia.

To his credit, Behrman neither trusts uncritically macroeconomic statistics nor distrusts implicitly Washington's capacity for doing the right thing. He adopts an idea long embraced by Milward's detractors, namely, that vital criteria for judging the Marshall Plan's success may be the most difficult to quantify. He has, in effect, built on and complemented earlier works by William Diebold, Charles Maier – particularly his compelling insight that "America and Western Europe […] changed together through the Marshall Plan" – as well as J. Bradford DeLong and Barry Eichengreen, especially their discernment that the Marshall Plan's great contribution was indirect, "by altering the environment in which economic policy was made," reducing the price of political compromise, and thereby accelerating Western European growth. Together with others, they illuminate the Marshall Plan's importance and pertinence in today's international crises (Diebold, 1988; Maier, 1993; DeLong and Eichengreen, 1993; Eichengreen and Uzan, 1996).

Praising all Marshall Planners

Additional light still needs to be shed on some individuals responsible for the European Recovery Program's (ERP's) favorable outcome. In Chapter 3, "The Marshall Plan and European Integration" Bronislaw Geremek emphasized the important role of Jean Monnet, visionary and prophet of French modernization, in the triumph of the Marshall Plan and Europe's ensuing prosperity. Although in a strict sense Monnet was not a Marshall Planner, he nonetheless generated power, both personal and institutional, that facilitated ERP's ultimate success and laid the foundation for the European Union. A Polish historian and member of the European Parliament, Geremek rightly identified the Frenchman as the arch-enemy of economic nationalism, someone who grasped, like Marshall Planners on both sides of the Atlantic, unilateralism's shortcomings and the virtues of multilateralism in international affairs. And the author shrewdly observed that European integration was advanced by the "synergy of the Marshall Plan and the Monnet Plan." He might have added the Schuman Plan, another Monnet offspring, to that particular observation.[4]

In spite of little formal education – his schooling ended at 16 – one quality of Monnet's greatness was that he thought historically. And he did so acutely. This trait he shared with architects and overseers of the Marshall Plan, especially President Harry Truman. Lacking himself a college education, Truman read history voraciously and, more importantly, readily recalled what he had read. Painfully, American and European Marshall Planners remembered the past, especially World War I's failed peace. They felt compelled not to repeat its mistakes. "I was very conscious," Lincoln Gordon, Program Division Director at Office of the Special Representative (OSR)/Paris, has recalled, "that what had been done after World War I was absolutely awful." On the other side of the Atlantic, French economist Robert Marjolin and others meditated after World War II on the nightmare of the interwar years (Gordon, 1988; Gordon, 1975; Marjolin, 1989, pp. 143-58). The demon of Versailles haunted promoters of a brave new world of trans-Atlantic co-operation. Geremek has insightfully observed that the Marshall Plan "grew out of the bitter experience" of an earlier madness.

Another reason for Monnet's rendezvous with destiny and his lasting legacy was his open-mindedness. This was reflected in his willingness to co-operate closely with Americans despite a chorus, sometimes shrill, of anti-Americanism among his fellow Frenchmen, especially the Parisian intelligentsia. With David Bruce, initially as head of ECA Paris and later as American Ambassador to France, serving as Monnet's indispensable collaborator, the Marshall Plan financed the Monnet Plan. Monnet also went against the Gallic grain as advocate of "Franco-German reconciliation." His was not a popular view. Not only did he see much that was good in the country of George C. Marshall, but he insisted on ending Germany's pariah status as necessary prelude to a "New Europe" and a genuine Atlantic community. Both were the best guarantees against the 20th century's third continental war. In other words, Monnet comprehended well before most that being French, pro-American and a "great European" need not be mutually exclusive and incompatible. Today, French President Nicolas Sarkozy seems to walk in his footsteps.

Like Greg Behrman, Geremek has also underscored what some historians and economists of the Marshall Plan, particularly those enamored by aggregate trade numbers, investment figures, and production statistics, notably Alan Milward, have too often failed to grasp: the Marshall Plan was much more than a four-year economic enterprise. The undertaking had to do with both matter and spirit, with the latter probably the most transformative and the crucial link between the Marshall Plan and subsequent European integration. Try as they might, economic historians cannot squeeze their macroeconomic data tightly enough to yield adequate understanding of confidence, mood, morale and hope. These emotions reside outside the scope of their explanatory system.

Thanks to the Marshall Plan, Europeans, in Geremek's words, "regained faith in the future" and, one might add, their own potentialities. Were they still alive, both Konrad Adenauer and Franz Blücher would agree with Geremek that the Marshall Plan's psychological value trumped all others in Bizonia and West Germany (Blücher, 1952; Adenauer, 1964). Restoration of German self-respect, like the return of optimism throughout Western Europe about the durability of Western values, especially democracy, resists easy quantification. Some prominent economic historians might loudly dissent if the end of West Germany's outcast status were equated with currency reform as the foundation of West Germany's "economic miracle." That is unfortunate. As a Polish intellectual who broke with the communist system, Geremek knows about the limits and tyrannies of historical materialism, theology masquerading as economic theory, and supposedly scientific economic analysis and laws.

Where clarification is in order is when the author refers, without comment, to Jean Monnet's claim that the Marshall Plan lacked flexibility. Monnet simply erred in this particular case. Wary of what Lincoln Gordon once called "purist dogmatism" (Hoffmann and Maier, 1984, p. 55), Marshall Planners were not doctrinaire about either economics or politics. Though not always, they generally believed that Europeans understood Europe better than American specialists did. They embraced variety, enlisting for example socialists, Catholics, and Muslims as allies in the battle against communism. They managed 16 counterpart funds by virtually 16 different criteria. More so than historian Michael Hogan's, my own research has found a greater American readiness to accept Europe's diversity than to proselytize on behalf of America's real, imagined or exaggerated distinctiveness (Machado, 2007). I concur with Tony Judt in his superb synthesis of postwar Europe that the Marshall Plan, in practice, rejected a "one-size-fits-all approach to recovery programs" (Judt, 2005, pp. 97-98). A refusal to be doctrinaire was, in fact, a distinguishing feature of the Marshall Plan as it was implemented in different political economies and cultures.

Marshall Planners constructed a framework, or process, within which those nations committed to a "New Europe" could debate those willing to be rebuilt or reformed, as the Italian historian Luciano Segreto once forcefully reminded me at the *Hôtel de Talleyrand*, former ECA headquarters in Europe. The critical hinge was always a recipient's readiness to change, and push-back was commonplace. Marshall Planners co-operated with governments of both the center and far right in Greece, of the center-right in Italy and West Germany, and the left in, to name just two countries, Norway and the United Kingdom. They partnered with Royalists, Christian Democrats, Socialists and Labourites.

Furthermore, as historian Irwin Wall has pointed out, "the lion's share of Marshall Plan credits went to nationalized enterprises in France, as dictated by the Monnet Plan." "In 1949," according to Greg Behrman, "90% of Monnet's Modernization Fund came from the Marshall Plan" (Wall, 1993, p. 137; Behrman, 2007, p. 221). Besides support for dirigisme in France, American Keynesians and latter-day New Dealers allied with supply-siders like Ludwig Erhard, West Germany's Economics Minister. Rather than inflexibility, a pervasive realism and pragmatism characterized implementation of George Marshall's conception. Americans provided around USD 13 billion in assistance – more than USD 500 billion as a comparable percentage of present-day American gross national product (GNP) and USD 100 billion in today's dollars – with 90% in grants. Yet they did not impose their will on Europeans. They did not compel Europeans to "behave in a manner contrary to their fundamental interests" (Marjolin, 1989, p. 180). Largesse combined with proper respect for recipients of that generosity. So, like Marshall Planners themselves and some prominent historians at times, Jean Monnet could be mistaken about how the ERP actually operated.

Another great strength of the Marshall Plan, illustrating how fundamentally accommodating it was, inhered in Paul Hoffman's and Averell Harriman's understanding of the "essence of genuine leadership," particularly the requirements of world leadership. They believed, unlike Josef Stalin in Eastern Europe at the same time, in "shar[ing] power with people rather than display[ing] power over them" (Hoffman, 1951, p. 42). In practice, this translated into European Marshall Planners showcasing to maximum benefit the superiority of intellectual, human and social capital over physical assets in rebuilding their own countries. Indeed, such capital surpassed in importance the wherewithal made available by Americans.

Western Europe's leaders and public servants ensured the ultimate success of the Marshall Plan: West Germany's Konrad Adenauer and Ludwig Erhard; Belgium's Paul-Henri Spaak and Jean-Charles Snoy; the United Kingdom's Eric Roll and Alexander Cairncross; Norway's Halvard Lange and Erik Brofoss; Italy's Alcide De Gasperi, Luigi Einaudi, and Giovanni Malagodi, and numerous other economists and technocrats as well. But of all the European contributors to the Marshall Plan's happy outcome Jean Monnet's own protégé, Robert Marjolin, a respected French economist, might be rated as the most valuable. If Monnet can be regarded as the "Inspirator", then his disciple Marjolin was assuredly the "Co-ordinator". Geremek mentioned Marjolin only in passing, as Monnet's "future co-worker". That modest description fails to do him justice, as does historian Alan Milward's disparagement of the role of the Organisation for European Economic Co-operation (OEEC), predecessor to the OECD (Milward, 1984, Chapter V).[5]

The Marshall Plan relied on three factors for its attainments: good fortune, conducive conditions, and purposeful planning. Unplanned occurrences were, of course, many, and Marshall Planners caught some fortuitous breaks. As significant as any historical contingency was selection of Marjolin as OEEC's Secretary General. Averell Harriman, head of OSR/Paris, did not want him, thinking him too young and lacking the appropriate prestige for the position. Marjolin's fellow Europeans, however, showed better judgment (Machado, 2007, p. 115). Unfortunately, European contributions to the Marshall Plan's effective administration have long lingered in historical shadows in American accounts, even though the co-operation of 17 nations could certainly not be ascribed to magic. In his oral history the Belgian chairman of the OEEC Council has reminded students of the Marshall Plan that "the situation of the West in 1948 was so grave that everybody […] sent his best people to OEEC and to ECA" (Snoy, 1964). Making OEEC work, a most difficult assignment, and guiding those "best people" to the most advantageous results for Western Europe as a whole demanded a special person.

Marjolin, an upholsterer's son, had an unusual blend of character, experience, skill and empathy. He knew well both Americans and Englishmen. Along with his countryman Jean Monnet, he shared an Anglo-American outlook and sensibility. He was, in a British colleague's estimation, "as much at home in Britain and America as he was [in his native France]" (Roll, 1985, p. 73). In the 1930s he had pursued graduate studies at Yale University. During World War II he lived and worked for two years in Washington, on behalf of the French government in exile. There, he also married an American woman. Certainly a big part of the Marshall Plan's formula for success was that its American creators – Harriman, Acheson, Lovett, Clayton and Kennan especially – were themselves multicultural, cosmopolitan, and Euro-Americans, as were many of their European counterparts. In ruling circles provincialism and parochialism were then at ebb tide on both sides of the Atlantic.

Despite his limited formal powers, Marjolin's personal leadership of the OEEC skillfully promoted two of Jean Monnet's primary postwar goals: close co-operation between Europe and the United States as well as a resolution of the difficult "German Problem". Like his mentor Monnet, Marjolin has remained a symbol of a "New Europe" in which personal friendships, nurtured during the Marshall Plan, fostered habits of co-operation and obliterated old cultural preconceptions and national stereotypes. Those friendships turned out to be among the optimum conditions for achieving Marshall Plan objectives. They also served as bedrock on which subsequent European integration, including the European Union, rested.

Geremek's decision to formulate his analysis of the connection between "The Marshall Plan and European Integration" around the pivotal figure of Jean Monnet was inspired. With a mixture of practicality and idealism, and drawing on extensive business and financial experiences during many years abroad, Monnet strove to put France's house in order after World War II while recognizing that such a task could not be accomplished without also getting Western Europe's house in order. He balanced an old-fashioned national interest with a vision of a brave new world. He was, in other words, motivated by the same enlightened self-interest that shaped George C. Marshall's revolutionary speech at Harvard 60 years ago this year.

Comparison with Marshall can be extended with profit. Monnet's close American friend, lawyer and diplomat George Ball, has written in his memoirs that "the essence of [Monnet's] charisma was that Jean sought nothing for himself" (Ball, 1982, p. 74). Like George C. Marshall, Monnet had the gift of selflessness. In both cases personal humility cleared the path for unprecedented international collaboration. Without leaders and followers in the years 1948-1952 who possessed that same trait in abundance it is difficult, virtually impossible, to imagine anyone ever celebrating the Marshall Plan's 60th Anniversary today. As implied by Bronislaw Geremek, the soul of the Marshall Plan was the soul of both Marshall and Monnet. It was also the soul of Robert Marjolin. It is a soul in need of recapturing in the 21st century when new totalitarians threaten world peace and democratic traditions. Modern history assures us that such is the recurring and common fate of mankind. Thus, a big question for statesmen of the new century: will they respond with the same understanding and nobility as the Marshall Planners?

Disregarding the Marshall Plan's lessons

An opportunity to heed Marshall Plan lessons in the 21st century and answer the "big question" first presented itself in conceptualizing and implementing postwar reconstruction for Iraq. President George W. Bush and his principal foreign policy advisers seem to have regarded the Marshall Plan as buried in an unusable past. The word "seem" is in order because journalists now preside over our understanding of Iraqi reconstruction, and will for a long time. Historians are left with an at best provisional assessment, based largely on burgeoning journalistic accounts supplemented by a few insider memoirs. Off-the-record and anonymous are neither ideal nor preferred sources. "The verifiability of source material," Victor Davis Hanson has cautioned, "is what distinguishes history from hearsay." Until relevant government documents are declassified and oral histories collected and processed, historians can offer, guardedly, no more than an interim appraisal of how the United States approached rebuilding a heavily damaged enemy.[6]

The place to begin, cautiously, is with the words of Ambassador Paul Bremer, head of the civilian Coalition Provisional Authority, or CPA, which oversaw reconstruction for 13.5 months, from mid-May 2003 until late June 2004. To mobilize domestic support for his effort Bremer equated his agency's work to the Marshall Plan in testimony before Congress. (President Bush had already likened a projected revitalization of Afghanistan to the Marshall Plan as well.) Bremer's invocation of his nation's most successful foreign aid program merely registered the latest call for a "new" or "second" or "present day" version. Such invocations have been incessant ever since 1952. The Marshall Plan's supposed range of applications has been near-universal (Chandrasekaran, 2006, pp. 161-162).[7]

A new, *ad hoc* government agency with a special mission, just as ECA had once been, Bremer's organization reported to Secretary of Defense Donald Rumsfeld rather than President Bush. Unlike ECA, therefore, it lacked both independence and Cabinet status. Bremer's comparison invited some rumbles of skepticism and disbelief at the outset. Already, red flags had been raised, during the run-up to the invasion of Iraq, in public remarks by Paul Wolfowitz, then second-in-command at the Pentagon. A well-known scoffer at history's utility, Wolfowitz was no realist in the George Kennan tradition. Events later demonstrated that Bremer's summons, like all before it, was a rhetorical flourish. Yale graduate, Harvard MBA, and career foreign service officer, Bremer was a highly educated government official who should have known that comparisons create expectations. While the head of CPA embraced the historical analogy, the Marshall Plan never served him as a guide to follow in discharging his duties. In fact, Bremer and David Nash, his chief of reconstruction who ran the Project and Contracting Office, or PCO, appear to have been unmindful of the historical ERP's strengths and weaknesses. Suffering from historical amnesia, too, were retired General Jay "I never knew what our plans were" Garner before them, as head of the Office of Reconstruction and Humanitarian Assistance (ORHA), and Ambassador Bill Taylor afterwards, as head of CPA's successor, the Iraqi Reconstruction Management Office (IRMO) (Chandrasekaran, 2006, p. 52).[8]

One might say, without undue exaggeration, that CPA's rehabilitation and reform efforts in Iraq prior to its dissolution essentially repudiated principles, values, methods and practices that contributed to ERP achievements in Western Europe. Americans in charge disregarded history's warnings, and their untutored labors approximated a nearly immaculate misconception. Ostensibly, invoking the Marshall Plan never meant comprehending its salient features, or its limitations. Although CPAers wrapped themselves in historical references, they did not study the Marshall Plan's complexity before their foray into the Middle East. They treated Marshall Plan lessons as if they were deeply submerged and irretrievable secrets.

A most obvious dissimilarity between the Marshall Plan and American efforts in Iraq is that the former was launched three years after World War II ended. This is a seemingly small fact with a huge significance. Why so? Because Marshall Planners presupposed two key conditions: established governments, except in the occupied western zones of Germany, and security, except in Greece where a communist insurgency destabilized the country until the fall of 1949. The absence of both conditions in Iraq made prospects for a "second" Marshall Plan there problematical, but not necessarily undoable. After all, both obstacles had been overcome in Western Europe in separate countries although, to be sure, not in the same nation. What guaranteed failure in Iraq were two other conditions, usual suspects in failed public policies: ignorance and its accomplice, arrogance.

The road away from success commenced when members of the Bush Administration opted to sell Iraq's rebuilding to Congress and the American people as necessitating almost no national sacrifice, thereby setting the wrong tone while ignoring the Marshall Plan's very spirit. Back in the late 1940s, Marshall Planners had appealed to their fellow Americans' generosity and selflessness from the outset, never switching sentiments or signals subsequently. George C. Marshall, George Kennan, and other architects of the ERP were realists. Their realism took many forms, just about all of which absented themselves in Iraq. By contrast, Deputy Defense Secretary Wolfowitz insisted that the burden of reconstruction and recovery could be shouldered by the vanquished themselves with revenues from expanded oil sales, a notion that proved misguided. Harvey Sicherman of the Foreign Policy Research Institute has quite correctly characterized what CPA attempted as "quick and cheap" reconstruction (Sicherman, 2007, p. 29). Eventually, American taxpayers provided upwards of USD 30 billion in aid (USD 18.4 billion in one supplemental appropriation) but roughly half went for security as the insurgency expanded. The total was still more money than any single Marshall Plan recipient had ever obtained. Iraq, however, was far worse off than France or Italy in the late 1940s. Besides their reluctance to sacrifice appropriately, American policy makers for Iraq overlooked the Marshall Plan's teachings in at least six other ways.

First of all, the Marshall Plan had been a multilateral approach to problem-solving. It was conceived as institution-building and nation-building but within the framework of regional economic integration. It treated 17 countries as a "unit" and expected those countries to behave as a unit, with maximum self-help and mutual aid, especially by regionally integrating their markets, stabilizing their currencies, controlling inflation, and eliminating protectionist measures. ECA was never formulated to deal exclusively with a single country. Hence, Paul Bremer's CPA was antithetical, an exercise in unilateralism and bilateralism, perhaps its most basic violations of ERP principles. All 16 Arab states in the Middle East should have been included in a collaborative, deliberative enterprise. Admittedly, the presence of not a single democratic government among them posed an obstacle. If for political reasons such ambitiousness proved impractical, then no "second" Marshall Plan was ever feasible.

The Marshall Plan's second sturdy pillar involved the initiative, co-operation, and first-class leadership of recipient nations, along with a close partnership between donor and recipient. Beneficiaries had been centrally involved in planning their own recovery in keeping with the crux of ERP's creed that "Only Europeans Can Save Europe." Paul Bremer's most fateful decision, a sweeping ban on Baathists, not only undercut postwar Iraq's very capacity for national self-help but probably left Washington more vulnerable to an "imperial temptation." Notwithstanding Michael Hogan's thesis, Paul Hoffman and Averell Harriman never succumbed to the urge to shape the destiny of other nations "to their liking".

By intent, the quality of Western Europe's leadership functioned decisively. Washington's self-assigned role was as "catalytic agent" and never as "main driving force". Except for Greece, where results were mixed, Marshall Planners assumed a minimal presence in member countries. So how did the CPA staff deal with Iraqis? Although much less so in their "democracy campaign," they generally denied them initiative in their own economic rehabilitation, with virtually no Iraqi participation in David Nash's hastily conceived plans and projects at PCO. CPAers used reconstruction aid as charity or welfare, an ECA taboo. They also refused to treat seriously Iraqi views, professing to know what was best for them. An American official in Baghdad remarked at the time that "one of the biggest problems of Iraq was that we weren't listening to the Iraqis" and that "the key was not for us to be more involved, but for us to be less involved." Bremer aimed to "remake" Iraq, emphatically resisting any partnership of equals (Diamond, 2005, p. 333; Chandrasekaran, 2006, p. 255; Joffe, 2006).

Furthermore, according to Paul Bremer, no Ludwig Erhards could be found among Iraqi leaders. A more revealing historical allusion and a greater understatement tax the imagination. It concedes that an absolutely crucial prerequisite for ERP's success in Western Europe did not exist in Iraq. Ali Allawi, a former Iraqi Defense and Finance

Minister, has explained more straightforwardly than Bremer that defects in Iraqi politicians have been profound ever since the toppling of Saddam Hussein. With an adherence on their part to neither the national interest nor the general welfare as highest priorities, their willingness to "deal" with Americans has been hollow. Marshall Planners shared an opposite experience. They presupposed national solidarity and never faced a situation in which tribal, ethnic and sectarian loyalties eclipsed all other allegiances. In short, 1,500 Americans in the Green Zone had much too large a profile, functioning as "main driving force" that Marshall Planners had spurned. Americans got massively engaged in Iraq's rebuilding, forgetting about the central role and value of self-investment (counterpart funds), demanding minimal Iraqi self-help, and thereby fostering great resentment among even pro-American Iraqis. Most significantly, as Paul Hoffman, head of ECA, predicted long ago, Americans could never either fill or else overcome a vacuum of political leadership in a recipient country (Bremer, 2006, p. 201; Allawi, 2007).

Third, the Marshall Plan for its nearly four-year existence counted on bipartisan backing and public approval that, in turn, derived from six exhausting months of discussion/debate with the American people and Congress. Legislation authorizing the ERP culminated an elaborate campaign of grassroots education. Its final contours resulted from numerous public forums and congressional hearings. It was the product of a long period of reflection, revision and rethinking. In short, the United States undertook the Marshall Plan with eyes wide open because the Truman Administration first patiently built a consensus at home (Machado, 2007, pp. 15-22). What about the genesis of CPA? Since real planning originated less than a month before the March 2003 invasion of Iraq, consensus-building was out of the question, improvisation ruled and a free-wheeling operation evolved. In marked contrast to the ERP's structured, disciplined, and generally well-thought out aid projects, those selected for Iraq tended to be hastily conceived, half-baked, approved in a haphazard fashion, and uncoordinated. CPA was not, of course, a completely dysfunctional agency. At least two laudable successes stand out: persuading the international financial community to forgive most of Iraq's USD 130 billion foreign debt and replacing the old dinar with a new currency that floated freely against all other currencies. Both rank as admirable achievements in conception and execution (Miller, 2006, p. 44; Bremer, 2006, p. 278).

Fourth, Marshall Planners undertook a vast, innovative propaganda war with the Cominform to win Western European hearts and minds. Their public information offensive, though slow to reach full force, was led by talented, experienced, working journalists, among them Alfred Friendly, Roscoe Drummond, Frank Gervasi, and Andrew Berding, as well as gifted documentary filmmakers Lothar Wolff and Stuart Schulberg. Their use of visual media was particularly effective in their public diplomacy and outreach (Machado, 2007, pp. 22-30). By contrast, CPA basically yielded the field of news coverage in the Middle East to al-Jazeera, the Arab-language, satellite television network that Bremer deemed "always hostile to the coalition." Bremer outsourced some propaganda to a private firm lacking both the imagination of ERP's Information Divisions and sufficient Arabic linguists. CPA's misuse of media was a great handicap and symptom of a general mismanagement. In the summer of 2003, according to one United Press International (UPI) reporter, "the media operation at CPA was abominable." It did get better. For a time CPA operated a "makeshift" TV studio providing weekly nationwide broadcasts by Bremer. Meant to be informative, they turned out amateurish and counterproductive. In early 2004 the Americans finally established their own satellite TV channel, al-Hurra, in response to al-Jazeera's dominance. Under-funded, it could not compete with a savvy, established antagonist (Diamond, 2005;

Chandrasekaran, 2006, pp. 128-136; Bremer, 2006; Ricks, 2006, p. 208; Holtzman, 2007, pp. 42-46).[9]

Under a CPA umbrella, a division of the United States Agency for International Development (USAID) undertook a public relations campaign to win over Iraqis to democracy. To counteract negative and biased news, it utilized posters, leaflets, radio, documentary films, videos, and television, as well as subsidizing sympathetic local publications. CPA's "Strategic Communications" office, first run by Daniel Senor, a Harvard MBA unable to speak Arabic, oversaw regional press officers posted throughout the country. Based on digests of local press coverage, its "public service announcements," in both Kurdish and Arabic, aired weekly over al-Iraqiyah, the government TV channel with a national reach. But in the crucial "battle of the handbills," CPA's critics and opponents prevailed. CPA's pro-democracy ads, as well as its radio and TV talk shows, lacked persuasiveness partly because they were rejoinders, forever circulating "too late" to have the desired impact (Diamond, 2005; Chandrasekaran, 2006, p. 128).

Fifth, ECA recruited its nation's "best and brightest", a highly qualified, credentialed mix of Republicans and Democrats. Its manpower, a genuine meritocracy of the educated, experienced and professional, had considerable prior knowledge and basic understanding of Western Europe and its core languages. They were also free of partisanship, having been subjected in the hiring process to no political or ideological tests. ECA banned cronies, buddies, dilettantes, political loyalists, relatives and partisans. The resulting esprit was such that a remarkable continuity of personnel and devotion to the task predominated. For 30 months a Republican businessman, Paul Hoffman, at great financial sacrifice, oversaw all operations in a Democratic administration. Hoffman traded a USD 96 000 annual salary at Studebaker for just USD 20 000 a year as ECA Administrator. Many other bankers and industrialists took big pay cuts, too. The typical tour of duty for everybody at ECA was two years.

During its lifetime Senator Arthur Vandenberg described ECA as "the most non-political organization which has ever been put together on a government project." In stark contrast, CPA appeared as nothing so much as a partisan "pick-up team" with White House connections and with few staffers possessing appropriate competence or grounding in the Arabic language, the Islamic religion, economic development, and Middle Eastern history and culture. Three examples must suffice: David Nash, a retired Rear Admiral who headed PCO for 14 critical months without prior dealings in Iraq; John Agresto, President of St. John's College in Santa Fe and self-styled neo-conservative, who was selected to revitalize Iraqi higher education while knowing almost nothing about Iraq's educational system; and James Haveman, picked to rehabilitate Iraq's health care system despite no experience whatsoever in the Middle East, having never been to Iraq before his hiring (Behrman, 2007, pp. 174, 183; Miller, 2006, p. 114; Chandrasekaran, 2006; Ricks, 2006, p. 203).[10]

Notable contradictions of the general rule of under-qualified, partisan CPAers existed. While Bremer himself neither spoke Arabic nor had ever stepped foot in Iraq previously, he did arrive in Baghdad accompanied by retired Ambassador Hume Horan as Senior Adviser. A superb Arabist with loads of Middle Eastern experience, Horan knew Iraq exceptionally well and was expert in Islamic cultures. Another Bremer deputy, career diplomat Dick Jones, spoke fluent Arabic and was former Ambassador to three countries in the region. He served as CPA's chief policy officer. In addition, CPA's regional co-ordinator for reconstruction projects in six provinces, Michael Gfoeller, spoke Arabic like a native, had studied Islamic history at Cairo's al-Azhar University, and received an

Master of Arts in Middle Eastern Studies from Georgetown University. Gfoeller's knowledge about his recipient country rivaled that of any member of ECA's 16 country missions. Bilingual expatriate Iraqi-Americans also joined CPA, providing invaluable assistance, especially in drafting an interim constitution. Finally, a few Democrats, like Larry Diamond, were recruited out of academia for staff positions. Probably the most prominent odd-man-out was Senior Adviser for Defense and Security Affairs, Walt Slocombe. Not only did he have impressive educational credentials – Rhodes Scholar from Princeton and Harvard law degree – but he was also a Democrat who had served for six years in the Clinton administration. He swam amidst a strong current of political favoritism in the Green Zone (Bremer, 2006; Diamond, 2005).

Still, as one insider and critic of Iraqi reconstruction has described the overall situation, CPA was "very much amateur hour." Ambassador James Dobbins, an expert on postwar reconstruction, has called its volunteers "heroic amateurs", while an American journalist has castigated the White House for "deputiz[ing] a motley posse of amateur nation-builders." They were not a recrudescence of ECA's corps of dedicated civil servants, successful corporate executives, and public-spirited professionals from the private sector. Weakened by constant flux in personnel and its byproduct, a poor institutional memory, CPA hired many staffers by "snap decisions". In contrast to Hoffman's, Bremer's oversight lasted for only 13 months with the usual commitment for CPAers much briefer, just 3 months. High employee turnover posed a chronic problem, undercutting effectiveness in problem-solving. Seemingly, a neo-conservative ideology, naïveté, the Heritage Foundation's approval, and Republican partisanship functioned as four of the most important determinants of a steady flow of short-termers into CPA (Miller, 2006; Ricks, 2006, pp. 203-204).

The sixth way in which the Marshall Plan's instructional value went unappreciated was that ECA administered its appropriations and expenditures as a model of incorruptibility. Thanks chiefly to conditional aid, "guided dollars," and "end-use checks," which assumed a variety of shapes, USD 13 billion in assistance was virtually free of scandal and corruption. A strong sense of accountability and rigorous accounting controls, particularly adoption of Procurement Authorizations, or Pas, which required private European buyers to assume responsibility for arranging contracts with private American sellers, sometimes through government purchasing missions. This method minimized both the flow of dollars outside the United States and the temptation to embezzle or steal funds. ECA's veto over USD 8.3 billion in counterpart funds also prevented abuses.

Iraq's USD 30 billion aid package exceeded all other aid projects earmarked for a single country in American history. CPA also held in trust for the Iraqis USD 20 billion of their own money, kept in Iraq's Central Bank in a "Development Fund for Iraq". Unlike ECA's techniques, however, hasty and sometimes urgent disbursements were handled largely by direct contracts, around 3,000 in all, between a government agency, CPA, and private corporations, primarily American. Monies to run various Iraqi ministries flowed from the "Development Fund". Of its original amount 45% could not be accounted for as of January 2005, according to the Special Inspector General for Reconstruction. Sloppy standards meant sketchy paperwork or else no paper trail for auditors. Although a lack of financial transparency does not define corruption, CPA was beset by overcharges, phantom work, swindles, and scores of criminal investigations. Substantial irregularities and waste, stemming from poor monitoring of contracts and delivery of services, came to pass in Iraq. Hardheaded and vigilant administration of spending, a Marshall Plan hallmark, existed in even shorter supply than close collaboration between donor and recipient (Miller, 2006).

Rectifying a weakness

Besides usable lessons from the Marshall Plan that went basically unincorporated in CPA's reconstruction practices, a final one is especially worth minding. The last suggests that even weakness in an extraordinary public policy can provide tutelage. Highly relevant to policy makers in all centuries is Sun Tzu's injunction to "know well thy adversary." The ancient Chinese philosopher's universal rule embodies a common sense dictum to create optimum conditions for attaining goals and solving problems. Marshall Planners, unfortunately, fell short of Sun Tzu's standard in one noteworthy regard. They, too, wore blinders on an important subject.

Undermining the appeal of communist parties in France, Greece and Italy was a primary Marshall Plan objective. Nevertheless, popular support for communists in those three countries showed impressive durability throughout Marshall Plan years and for a considerable period thereafter. Communism actually retained its appeal as French, Greek, and Italian national economies grew and improved. As late as 1956, for instance, the French Communist Party, or PCF, still ranked as France's most popular political party. American-sponsored economic and financial renewal clearly failed to achieve a major political objective. While ECA's programs did help to cap, or curb or slow communist growth in those countries, they did not roll back its postwar advances. In a bit of an understatement, Averell Harriman, head of OSR/Paris, later regretted that "we didn't reduce communist influence […] as much as we had hoped." So why Harriman's disappointment?[11]

Despite ultimate success in revitalizing Western Europe's economies, Marshall Planners were partially blinded by their attachment to a type of economic determinism. Consequently, they oversimplified the motives of communists and their supporters, misunderstood the various root causes and sources of its appeal and popularity, and overestimated their own capacity to weaken communism in France, Greece and Italy by principally materialistic means. Their analysis lacked sophistication, simultaneously conceiving of communist strength too narrowly and overrating it. An incomplete diagnosis of the true nature of the totalitarian challenge wasted, in fact, resources by prescribing an inadequate remedy. That Marshall Planners did not take the full measure of the communist threat should not be overlooked. Their mistake was in subscribing to "The Myth of Belly Communism," a half-truth which purported that poverty, hunger, unemployment and misery incubated Red Fascism. Hard times, however, did not necessarily breed and feed communism in Western Europe, or elsewhere. Materialism was only its partial cause and merely its partial cure.

The Marshall Plan educates us not to regard economic change as all-purpose or omnipotent. It especially warns contemporary policy makers to beware of regarding economic growth – enlarging the economic pie or GNP – as a panacea for totalitarian mindsets and tempers. It chastens those presently combating variants of totalitarianism about foreign aid's limits in such a battle. Along with its strengths, then, Marshall Plan misapprehensions need to be studied by postwar reconstruction specialists and anti-terrorist strategists. If the full measure of the growing threat to Western values is to be taken, and Sun Tzu heeded, then comprehensive explanations of motivation must be formulated out of historical, cultural and religious antecedents.

In conclusion, a few major features of the Marshall Plan deserve recapitulation. First, the Marshall Plan's core was its relationship between donor and recipients. Second, its formula applied outside the developed world only when certain indispensable conditions were met, the most elementary being that recipients were genuine nations unified by the glue of nationalism. Third, the Marshall Plan's conceptualization occurred in the context of a grave peril perceived by both donor and recipients. Such shared apprehension fostered common purpose and willingness to co-operate. A "second" Marshall Plan is conceivable only in the context of another agreed upon danger. Last, absolutely essential to converting effort into achievement was genuine political and economic talent in recipient countries. Without latter-day Marjolins and Erhards, the politics of good intentions will be ineffectual. Maybe the most fitting way for today's policy makers to honor the sacrifices of Marshall Planners in this anniversary year is threefold: guard against narrow utilitarianism and reductive thinking in connecting past and present; apply when appropriate their many strengths; and rectify one striking weakness. By not structuring policies and programs on oversimplifications of the origins and genesis of terrorism and Islamic fundamentalism, they will affirm the power of history to enlighten the rocky road ahead.

Notes

1. See, for example, Hogan (1987), pp. 19, 53, 87, 89, 273-4, 291, 293, 427 and 431. For specific references to an American “design”, see pp. 3, 21, 53, 236, and 257.

2. On France, see Wall (1993), pp. 134-143; on Norway, see Bourneuf (1958) and especially Pharo (1993); on Italy, see Zamagni (1986); Burk (1995).

3. See Behrman (2007). Benefiting appreciably from William Diebold’s earlier critique, Behrman elaborates insightfully on the deficiencies in both Milward’s and Hogan’s interpretations. See footnotes 27, 266, 335, 336 and 338 on pages 349-51, 397, and 408-11.

4. Helpful in understanding Monnet’s pivotal role in postwar Europe are Monnet (1978) and Duchene (1994). A succinct appraisal is in Behrman (2007), pp. 219-22.

5. In their histories of the Marshall Plan, Milward, Hogan and Behrman all fail to give Marjolin the proper credit due him for his vital role.

6. The most detailed and informed journalistic accounts are Ricks (2006), Miller (2006) and Chandrasekaran (2006). The most revealing insider reports to date are Bremer (2006), Diamond (2005) and Allawi (2007). See also Spolar (2007) and Wong (2007). Victor Davis Hanson highlighted liabilities of both genres (Hanson, 2006).

7. Bremer delivered identical testimony before the Senate Appropriations Committee on 22 September 2003 as well as the House Armed Services and House International Relations committees three days later. President Bush made his remarks about the Marshall Plan and Afghanistan in a speech at Virginia Military Institute, Lexington, Virginia, in April 2002.

8. For less than four months Garner ran the Office of Reconstruction and Humanitarian Assistance, or ORHA. Taylor replaced Bremer upon the dissolution of CPA, heading America’s third reconstruction agency, the Iraqi Reconstruction Management Office, or IRMO, under State Department aegis beginning in September 2004. Taylor remained on the job for a year. Both agencies lie outside the scope of this inquiry.

9. Iraq’s demographics underscore the scale of CPA’s failure in the clash of television channels: 40% adult illiteracy, 40% of the population under 15, and 50% of Iraqi households with access to al-Jazeera.

10. The “pick-up team” expression is Retired General Anthony Zinni’s. Lincoln Gordon’s headcount of top ECA managers revealed that “except for Governor Harriman, the [Marshall] Plan was run largely by Republicans.” See Hoffmann and Maier (1984), p. 68.

11. For an expanded discussion of this point, consult Machado (2007), pp. 50-55, 125-126. The Harriman quote is on page 53.

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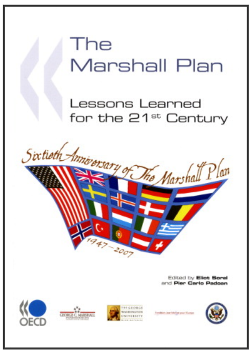

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